

# Nation's Business

A USEFUL LOOK AHEAD

JULY 1960



## BUSINESSMEN VIEW NEXT TWELVE MONTHS

PAGE 56

Problems and opportunities for business revealed by Nation's Business survey

Tax cut outlook brightens PAGE 31

What's new in marketing methods PAGE 38

How to build self-confidence PAGE 34



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# Nation's Business

July 1960 Vol. 48 No. 7

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Washington, D.C.

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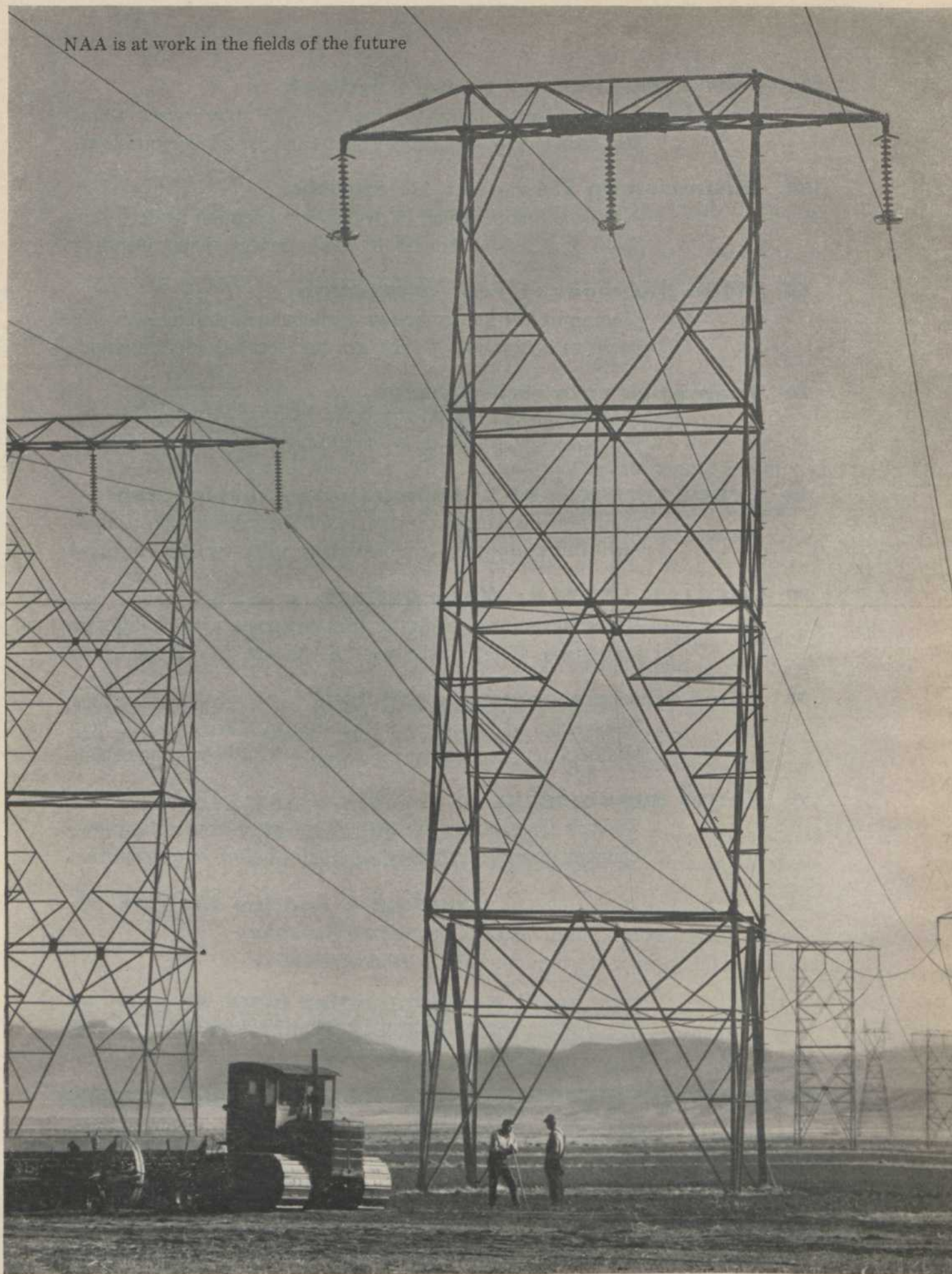
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NAA is at work in the fields of the future





# The Peaceful Atom:

## New power source for America's lifelines

**T**ODAY THERE ARE 180 million of us in the U.S.A. To a farmer that means enough grain to fill the Grand Canyon. To a shoe manufacturer, it's enough foot-miles per year to walk from here to Mars and back. To a utilities expert, it's a population expanding so fast it needs the equivalent of several Hoover Dams each year to meet the additional power requirements.

To meet this pyramiding demand, America's power lines are weaving an ever-increasing network of life-giving electricity across the face of our nation. New cities...new sciences...new homes, industries and appliances...all depend on America's mesh of "power grids." Today the electrical power that courses through them is derived from coal, oil and water power—but a new power source for America's lifelines is on the way...the Peaceful Atom.

One of the first companies to collaborate with the Atomic Energy Commission in the development of the peaceful atom was the Atomics International Division of North American Aviation. For the past 14 years A.I. has been working to meet the challenge of America's growing power needs and has developed practical nuclear reactors: the Sodium Graphite Reactor and the Organic Power Reactor.

Today a reactor of each type is being installed in a central power station under AEC programs. A Sodium

Graphite Reactor producing 75,000 KW is being installed at Hallam, Nebraska. An Organic Power Reactor of 12,500 KW capacity is being built in Piqua, Ohio. These are true atomic power plants—among the first large-scale applications of the peaceful atom for the benefit of mankind.

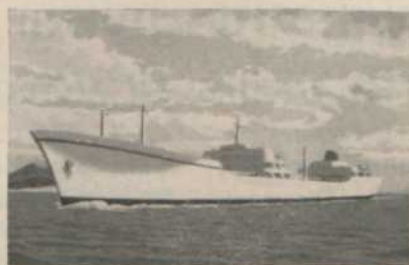
The Organic Power Reactor has particularly broad appeal. It is a reliable, low-pressure system economically favorable for large or small power requirements. Performance of both Sodium Graphite and Organic reactor types has been thoroughly tested in pilot operations conducted by Atomics International for the AEC.

Meanwhile A.I. is developing a third type of reactor known as the Advanced Epithermal Thorium Reactor. This project was undertaken for a group of private utilities, the Southwest Atomic Energy Associates, intent on making advances in the atomic field. Indeed, it is becoming apparent to utility companies everywhere that their ability to meet tomorrow's power requirements depends on the steps they are taking today in the nuclear field.

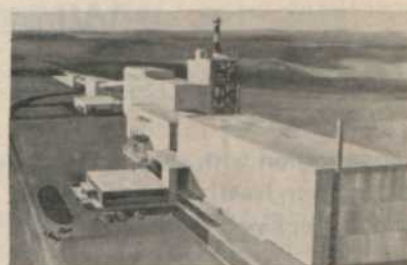
As the Age of Electrical Living continues to unfold, it is evident that nuclear energy is mankind's next great power source...and A.I. is constantly at work to make sure that this power is available when needed.



**ORGANIC POWER REACTOR** developed by NAA offers guaranteed performance using existing familiar materials. 12,500 KW unit is for Piqua, Ohio.



**NUCLEAR POWERED SHIP** was a study project at NAA for Atomic Energy Commission. Proposed tanker would use an Organic Reactor power plant.



**SODIUM GRAPHITE REACTOR** for 75,000 KW station at Hallam, Nebr., is another NAA concept proved by successful pilot plant in California.

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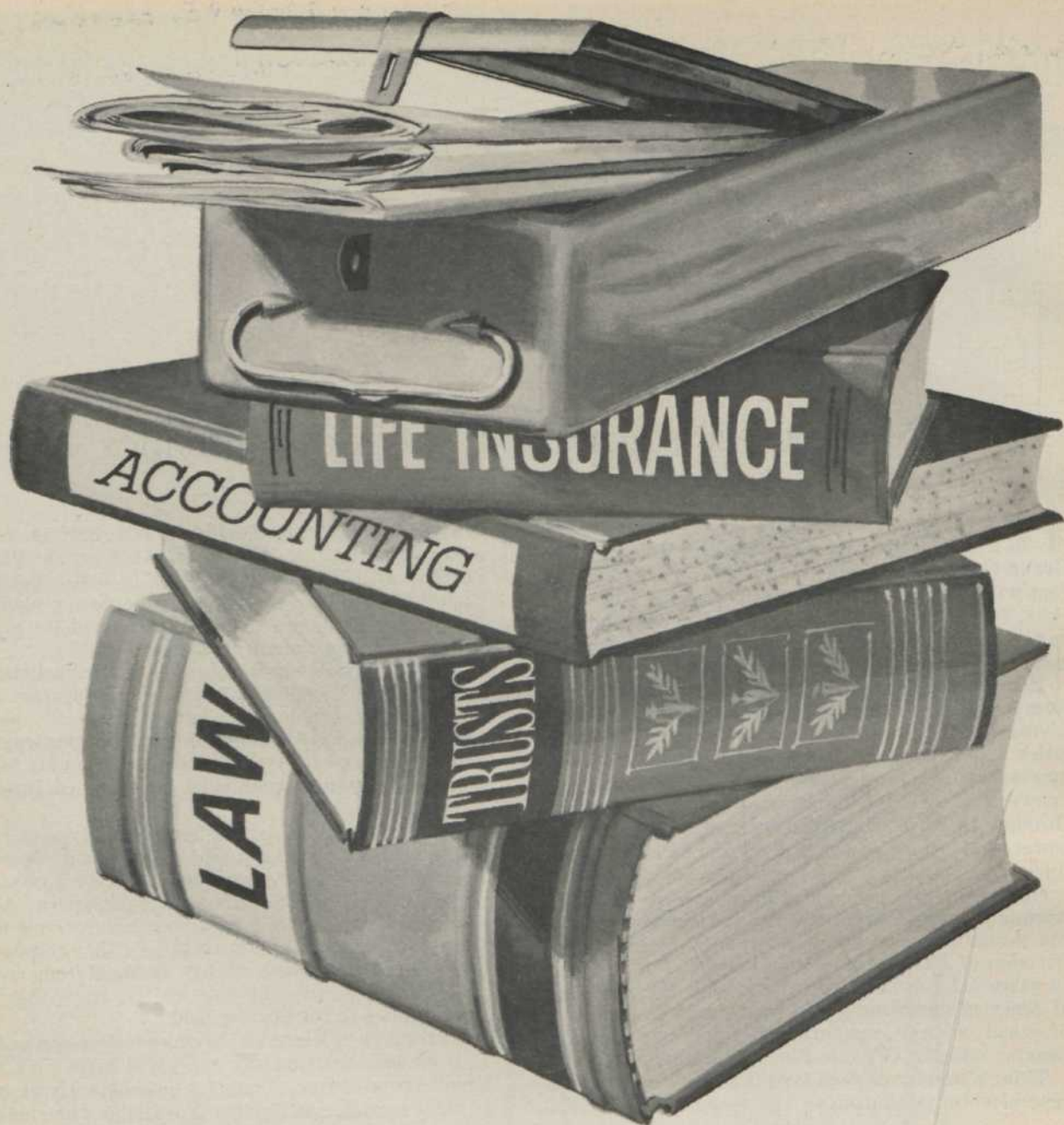
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# management's WASHINGTON LETTER

► **SET YOUR SIGHTS** on business volume for 1960 about 6½ per cent higher than 1959.

That's expected gain for total value of all goods and services to be produced in U.S. this year.

Growth compares with 8.6 per cent for 1959 gain over 1958.

► **FIGURES YOU'LL FIND USEFUL** to keep in mind are these:

Total business volume this year will be about \$30 billion higher than last year.

Past year's volume was \$37.8 billion higher than previous year.

► **FIGURE OUT** where your business fits in America's future.

Discount impact of Khrushchev's noise on business (even though you can expect much more of it before Kremlin smile comes back in fashion).

Remember:

Whichever way international tensions may go, Americans will keep on having babies, buying homes, appliances, cars, taking vacations, wearing out clothing, buying razor blades, tooth paste...

And that means business opportunity.

► **BUSINESSMEN VIEW NEXT 12 months** with qualified optimism.

Nation's Business surveyed 236 top business leaders on outlook.

They express belief that:

Sales will rise, employment will be steady to rising, recession is unlikely in next 12 to 18 months.

Optimism is moderate, however.

Many warn of soft spots, of potential dangers, feeling that business uptrend will not be shared by all industries.

These industries expect sales rise:

Oil, food processing and distribution, railroads, aircraft, electronics, shoe manufacturing, airlines, business machines manufacturing, steel, instrument makers, paper, baking, variety retailing.

These anticipate sales decline:

Hardware, wire manufacturing, rubber, chemicals, some heavy manufacturing.

Same level sales:

Auto parts, meat packing, textiles, men's clothing.

Full story on page 56.

► **VIGOROUS PARTICIPATION** in politics is planned by businessmen this year.

Survey asked how many firms would encourage employees to take part in politics.

Nearly half (48 per cent) said their companies have such programs.

► **WHAT DO BUSINESSMEN** consider chief roadblocks to long-term growth?

Nation's Business asked executives.

Their answer: High taxes.

President of a Kentucky firm heatedly worded his response this way:

"Cremation by preferential taxation."

Other roadblocks:

Inflation, government spending and increasing encroachment of government on business, labor monopoly power, wage-cost spiral, foreign competition.

► **FRINGE BENEFIT COSTS** are rising.

Here's comparison:

Average cost per employee in 1947 was \$424 (employee's pay was \$2,753).

Ten years later, average was \$981 (pay: \$4,500).

New survey currently under way will probably show that fringe benefits cost more than \$1,100 per worker now.

Pay is expected to average more than \$5,000.

Survey covering 1,000 firms is being made by Economic Research Department, U.S. Chamber of Commerce.

Study includes cost of insurance and pension plans, government-required payments (such as social security taxes and unemployment costs), paid vacations, holidays, etc.

Final report will be available by end of summer.

Management's Washington Letter will keep you informed.

► **AMERICA CAN HAVE** faster growth.

That's prospect for decade ahead.

But achieving it won't be automatic.

Growth results from three factors:

1. Number of workers.
2. Productivity of workers.
3. Hours of work.

For the future, America's population will be growing at the rate of about two per cent a year.

Compares with about 1.5 per cent for postwar period thus far. Productivity



has been increasing at average of about 2.3 per cent.

That's long-term average.

If trend continues, then we can have annual growth close to four per cent.

Americans' desire for more leisure time, however, means hours of work are likely to decline in years ahead.

Problem is:

Can productivity continue to rise at a fast enough rate?

It can.

But billions will be needed for new investment.

Productivity rise depends primarily on investment in productivity-boosting equipment, new techniques.

This year businessmen plan to spend close to \$37 billion for new plant and equipment.

Productivity rise for future years hinges on whether businessmen can keep pouring in new funds.

►WHAT'S NEEDED for boosting America's growth is tax reform.

Analysis reveals these trends:

Uncle Sam has taxed corporate income a total of \$208 billion during decade that will end next New Year's Eve.

During that period, undistributed profits--money to grow on--has amounted to \$96 billion.

But plant and equipment expenditures --money actually spent for growth--will amount to \$308 billion.

That means growth has been achieved largely through expansion of business debt.

As a consequence, gross corporate indebtedness--\$165 billion in 1950--now is close to \$350 billion, headed upward.

Business is now too far in debt to depend heavily on more debt to finance future expansion.

New stock issues will provide some of the money.

There'll be mounting pressures in years ahead for tax reform to provide some of the additional dollars needed for economic growth.

►HERE'S WHERE business growth exceeds that in this country:

Mexico, France, Italy, West Germany, Canada, Japan, Venezuela.

Study by Chase Manhattan Bank shows

how it's done. These countries outstripped us during 1950's by plowing back higher proportion of national output into new investment than U.S. did.

Report points out:

"...Real growth is result of increased investment in new plant, better capital goods plus development and adoption of better techniques.

"Thus, any realistic attempt to increase rate of economic growth would have to include measures to increase the rate of investment.

"Measures to provide more realistic treatment of depreciation for tax purposes and to reduce...burden placed on investment by high corporate and individual income taxes could yield most beneficial results."

►POLITICIANS CONTRAST Russia's growth rate with U.S., point with alarm that Soviets outstrip us.

Role that government plays in national economy is back of this controversy.

Basic issue is this:

Should Uncle Sam attempt to stimulate national growth through bigger federal spending?

Chase Manhattan Bank study has this to say:

An attempt to boost nation's growth rate by large increases in government expenditures and easy monetary policies could prove to be abortive.

Policies of calculated inflation may increase short-term growth.

But in the longer run they are sure to be self-defeating--producing illusion of growth through price inflation.

►DO AMERICANS WANT more motor boats --or more heavy industry?

That's real issue involved.

Communist economy features forced-draft growth.

America's is governed by free choice of consumers.

Through deliberate national policies U.S. could also force national growth to higher annual rate--provided that is to become a desirable national goal.

But Russia's growth is accomplished at expense of consumer needs.

Housewives are denied such household necessities as washing machines because communist resources are poured into



# management's WASHINGTON LETTER

expanding heavy industry. Russian state planners choose not to provide washing machines--this would slow economic growth, according to the communist concept.

►CONCEPT OF ECONOMIC GROWTH Americans cherish is:

An increase in the nation's ability to produce goods, services, leisure.

Economic advancement has value only to the extent that it contributes to the objective of enhancing individual dignity, provides greater opportunity for individual development.

►KREMLIN LEADERS are proud of their economic accomplishments.

Take butter, for instance.

Soviet boss Nikita Khrushchev boasts that Russia now outstrips our per capita consumption of butter.

America is second best here.

Should we strive to catch up?

We could easily win the butter race by a comfortable margin.

In the 1890's we used about 25 pounds of butter per person a year.

Today we use only about eight (plus about nine pounds of margarine).

But economists point out this does not reflect economic deterioration.

As a society becomes enriched it shifts from bread and butter to more meat, vegetables, fruits, nuts, greater variety in food.

Point is, Americans are free to eat more butter if they choose to do so.

Until they do, there seems a likelihood that America will remain second best in the butter race.

►AN IMPORTANT PART of our production comes in the form of leisure time.

In this we excel.

And Russia is second best.

►THINK OF LEISURE TIME as a national asset.

It's really the equivalent of extra plant capacity.

Our growth rate could be boosted significantly if all workers would stay on the job an extra hour per day.

Hence leisure--which isn't measurable as part of the gross national output--could be traded for stepped-up produc-

tion in time of dire national need.

►RUSSIA'S GREATEST OPPORTUNITY for overtaking us economically lies in whether we might suffer a crippling depression in the years ahead.

A severe downturn here would enable the Soviets to narrow the economic gap between our nations.

Current projections of growth rates for each country show that Russia for many years ahead has little chance of catching up with us.

Here are some facts to keep in mind:

Russia's output today equals roughly 44 per cent of ours.

If Russia's total production doubles in the next 10 years and our expansion rate continues as expected, Soviet output then would equal roughly half of our total.

Only if our economy stagnates and Russia's does not could she have any real chance of overtaking us for decades ahead.

►FREE-ENTERPRISE SYSTEM of training Air Force pilots will be abandoned.

Currently, all pilots are trained by civilian contract flying school.

Use of civilians to teach flying got started prior to World War II.

Plan was dropped after war, started up again in 1951 after Stanford Research Institute study proved how practical it was to train pilots this way.

More than 245,000 pilots have been taught by contract flying schools.

About 2,500 students are currently being trained at a cost of \$23 million per year.

Entire program will be phased out by end of this year.

Here's reason related to new training plan:

Air Force is faced with a cutback in number of officer pilots.

Civilian schools now employ about 660 flight instructors.

Putting military flyers in these jobs is effort to keep number of pilots in uniform from being reduced as much as originally planned.

Guess in Washington is that taxpayer cost of training future military pilots will rise importantly even though the number of student pilots will decline.



## HOW I LICKED THE HIGH COST OF LIVING

By a Wall Street Journal  
Subscriber

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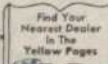
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## Business opinion:

# Look for loyalty when picking new employes

I BECAME concerned over Mr. McMurry's [February] article, "How to Pick Capable Men."

Seemingly, loyalty is not a part of the college man's curriculum. I believe this characteristic is essential in a candidate's search for happiness on the job and as a recipient of an opportunity toward his future success; he owes something to his benefactor besides merely accepting his pay check.

After reading this article it becomes increasingly apparent that industry is paying a terrific price in its search for candidates through the process of camping on the college campus.

Since little was said about development of men from within the ranks of the organization, it seems that this avenue of recruiting deserves enough consideration to warrant better training programs to stimulate competition from within. It might be interesting to your readers to have your staff report on what industry is doing to prevent this exploiting.

FRANK J. KRACHA  
65 Orange Avenue  
Los Altos, Calif.

## Keeping us shipshape

In "Management's Washington Letter" for May you state that an 18-knot vessel with 600,000 cubic feet capacity costs \$3.7 million in Japan. You also indicate that a similar ship would cost \$5 million in this country. I believe the price quoted for the Japanese vessel is approximately correct. However, the cost of building such a vessel in the United States is approximately \$10 million.

Regarding the crew for the N.S. Savannah, it should be pointed out that she will be manned by a crew of slightly more than 100 rather than 40 as indicated in your article. This vessel's crew is approximately the same size as that of a passenger ship powered by conventional machinery.

HERBERT HANSEN  
States Marine Lines  
Washington, D. C.

► Reader Hansen is correct. Our figures, from Maritime Administration, suffered from too great brevity in presentation. We said vessel with

600,000 cubic feet capacity "would cost builder \$5 million," did not mention that government pays rest of approximate \$10 million. Our number of crew for Savannah covered only cargo-handlers. Service to passengers brings total to 110.

## Why you and boss disagree

As stated in your article, "Why You and Your Boss Disagree" [May], there are always areas in which a supervisor may disagree with his superiors or subordinates. I, for one, agree that a program set up to alleviate this situation should prove beneficial to all concerned.

I sincerely hope that our personnel will read this article and I feel that utilization of the information contained in it would be of benefit to any organization.

D. O. CAIN  
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Will you please send us 150 copies of the reprint of "Why You And Your Boss Disagree?"

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## Empire builders

Although I thoroughly agree with the opinions in the article, "Old Rules Fatten \$12 Billion Payroll" [April], I still have questions.

Why and how do we get people on the government payroll who have not taken an examination? What actually caused the failure of the program launched by the [Civil Service] Commission in (I think) 1955 either to make these people qualify or dismiss them?

I was in civil service during this time and those of us who had taken and passed examinations before being accepted were appalled by the number of employes around us who had never been tested.

These were not the top-graded employes but the middle-men who supervised typing and steno pools or worked in government payroll and other responsible positions.

To my way of thinking this is where empire-building starts. If these people are not qualified, the lack of efficiency is usually termed



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"not enough help" and the empire builders try to correct the situation by obtaining five people to do the work of two. I was continually amazed by the number of people who had worked for the government for five or ten years and still did not understand government procedure on correspondence alone!

We really felt the whole system was to undergo a complete cleanup back in 1955. But not so. Much to our horror, those who could not pass the required examinations were kept on the payroll in the same position. One person in my immediate area was even promoted. And the qualifications for her promotion were the same, if not more so, as the job for which she two or three times took an examination and failed.

MRS. J. F. WEBSTER  
Media Director  
Zimmer-McClaskey, Inc.  
Louisville, Ky.

### Tax dollars for cities?

I read with interest the article about the Indianapolis slum-clearance program, "Rebuild Your City This Better Way" [April].

Charlottesville has debated the merits of doing the same thing the federal way.

I am somewhat ashamed of the situation, in view of the fact that this is the heart of Mr. Jefferson's country, and we certainly know well his lack of regard for a strong central government.

Those in favor of the Authority have conducted their campaign on two major charges: 1, no other city has ever successfully redeveloped an area without federal aid; 2, a portion of your federal tax money has gone to the appropriations for the redevelopment program enacted by Congress and if you don't get it back through a Housing Authority some other community will be getting your money.

Of course, articles such as the Indianapolis story satisfactorily refute the first point. However, the second point is somewhat more difficult to answer in the climate of thought today.

EDWARD H. DEETS, JR.  
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### Simplifying work

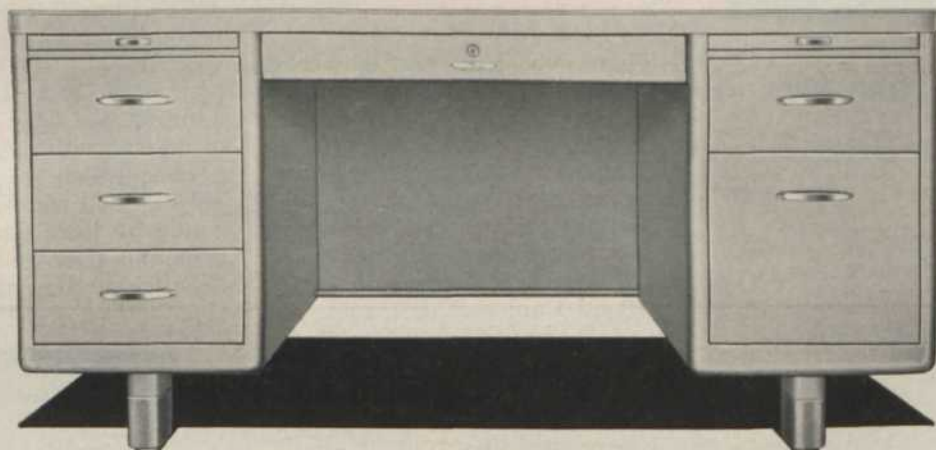
We would like to reprint "Executives Can Simplify Their Jobs," from the February, 1958, number.

This reprint will be used exclusively by IBM employees in connection with our work-simplification program.

F. W. HOAG, JR.  
Corporate Methods  
IBM  
New York, N. Y.



# Do we really make this desk too good ?



Recently, some people have suggested that we do.

We guess they mean we should use less steel or lighter steel, or that perhaps we should use fewer reinforcement welds. Or maybe that we should cut out some of the extra features—like drawers for example—that our desks have built in.

We've done some thinking about these things.

Our designers tell us that 260 pounds of good steel go into an average 30" x 60" Stylemaster desk. Any less steel than that, they say, would result in a desk that would soon begin to shimmy and look shabby.

We looked into the many desk reinforcement welds we use. Maybe one or two of these welds are unnecessary. We're not quite sure. But we haven't seen a Y&E desk top in any shape other than completely flat.

We could use bolts or metal screws instead of welds, but we know that our welds are as strong as our desk steel. They won't become loose and won't shimmy.

A lighter desk, with fewer reinforcements, our designers say, would mean a big BOINGGG every time a drawer was banged closed, or the desk was kicked. We might get away with it by using sound-smothering insulation strategically hidden away in key spots.

We thought about it.

But, if you ever happen to kick a Y&E

desk or slam its drawers, that solid, honest CHUNK you'll hear is not smothered by anything other than sound construction.

We searched our desks for extras which we could eliminate and found a couple of possibilities. We could make something called removable case strips *fixed* by welding them. This removability feature is expensive and some people never use it. However, because of it, if you want to rearrange the drawers of your Y&E desk in your office, you can. Removable case strips make it a cinch. Meaning that shifting drawers in a Y&E desk never tries the temper.

We did find one thing we could take off our desks without impairing its function. Our name plate. It reminds you of the quality you've purchased. But we'll leave

it off for you if you think it's too frilly.

If our desks are too good, we can't say we're sorry. It may, in fact, be that the styling for our basic lines will never grow old, because it just seems to fit into most situations quite nicely and is so easy to live and work with.

We make several different kinds of desks now—different styles for different office functions, executive to secretary. We may add more. But we'll continue to make desks and other equipment that is functional, operates smoothly, looks good, and lasts a little bit longer than many things seem to these days.

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## Federal help

Mrs. Remer runs afoul of a government that talks concern for small business.

But here's what it does



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**PAPER**  
the personal  
water service

May 16, 1960

Hon. George P. Miller  
House of Representatives  
Washington 25, D. C.

MY DEAR MR. MILLER:

Thank you for your answer to my letter of April 27, which was addressed to the President, relating to my problems connected with the federal government which are strangling our small company.

I will attempt to give you a brief history of what has happened to our manufacturing firm since its inception, and I am sure that, after you have had time to study these facts, you will agree with me that it is essential that I come to Washington to seek relief.

I have already explored all the possibilities with the officials in the San Francisco area, who have been very considerate and helpful. However, their hands are tied because this matter has already been referred to Washington for a ruling.

In 1957 we opened a small manufacturing firm, assembling a miniature toy crystal radio device, mainly to take care of an order of 60,000 units from General Mills. This was a premium program for children, and pictures were displayed on the Cheerios and Kix boxes for the youngsters to purchase with a box top and \$1.50. There was a tremendous consumer reaction to this little device and we found ourselves busy with orders from all over the United States from toy dealers and toy jobbers. We decided to continue manufacturing as long as the item had customer appeal.

We had no idea whatsoever that this little toy crystal set would be considered a radio within the meaning of the law regarding excise tax. One of our customers suggested that it might, much to our surprise, so we immediately asked the Internal Revenue Excise Department

for a ruling or an opinion. The result was they felt it was taxable and proceeded to come in and make their preliminary audits.

This alleged liability has been accruing against our company since the time of the audit and now amounts to more than \$200,000. In addition, we have spent thousands of dollars with attorneys preparing a case, which we feel unquestionably we will win by virtue of a new ruling by the Commissioner which came out after we had been given a negative opinion on a local level.



Mrs. Remer: "... it isn't fair"

Our item was in the processes of patents pending, not only in the U.S.A. but world-wide. Unfortunately, the patent laws do not protect one until a number has been issued. During this pending period we were copied by the Japanese and, with the low labor market, were put in a perilous position, because they were monthly exporting to the U. S. hundreds of thousands of toys identical to ours. We were forced to reduce our price to utilize our already paid-for inventory. We had a loss of \$313,544.39 in 1958 and we filed an application for carry-back adjustment.

This loss carry-back money,



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## FEDERAL HELP

*continued*

which we were entitled to, would have enabled us to have continued in fairly good shape with the new items we were bringing out in the electronic and toy field. With our pending government liability and our heavy inventory, we had no choice but to struggle to continue business, especially since we were employing a great number of handicapped people who were dependent upon us for their livelihood.

The Internal Revenue Department, instead of refunding our money on this carry-back procedure, applied it to the alleged excise liability in spite of the fact that the matter was being litigated.

We have suffered a great deal of damage, due to this pending excise tax matter, especially on acquiring financing for our invoices, raw materials, and so on. Even though our Dun & Bradstreet rating is Group 1 and 2, which is excellent in the eyes of the industry, we cannot get financing from any bank on our invoices and must resort to the use of a factoring company.

To further our business and because of our excellent contacts in Japan, where we buy our component parts, we began to import transistor radios in April 1959. I am sure you realize what has happened in this regard. Although it was profitable for some months, recently there has been much price-cutting due to the high competition.

In trying to determine the variances in the price structure, we discovered that the excise tax paid by the importers was not consistent. Foreign companies have definite tax advantage.

We also have a problem with Customs, which is very serious. We have been importing our component parts in huge quantities since 1957 on the basis of ex factory, which is slightly lower than F.O.B. After waiting two and one-half years, Customs has finally decided to liquidate our shipments and because of some new directives that they have received regarding other importers and various practices of their trading companies which are objectionable to the department, have decided to liquidate our merchandise at F.O.B.

How in heaven's name can any small business price merchandise at cost, attempt to hold off foreign competition, fight to keep its employees working and two and one-

*(continued on page 21)*





Erected in 1925, this water tank in Ottumwa, Iowa, was restored recently with Derusto Colored Aluminum Paint by National Tank Maintenance Corp., Des Moines. Derusto is a product of Master Bronze Powder Company, Inc., Calumet City, Illinois.

## Ottumwa set off its high spot with Derusto colored aluminum paint

Amazing what Derusto Colored Aluminum Paint did to the most prominent landmark in Ottumwa, Iowa. Crowning the highest hill in town, a 35-year-old water tank changed almost overnight from eyesore to asset . . . today, blends harmoniously with the surrounding landscape.

Appearance counts because the tank is in Memorial Park and adjacent to a beautiful residential area. According to C. D. McConnell, Ottumwa's water board chairman, city park officials and

neighboring homeowners hail the new improvement.

Colored aluminum paints are catching on with civic and industrial maintenance people everywhere. Bright aluminum has always been the best protection for weather-exposed property. Now, with color, you can match roofs and buildings . . . make buildings harmonize with surroundings . . . give entire plants uniform good appearance.

Made with ALCOA® Pigments, colored aluminum paints like Derusto are fast

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**ALCOA does not make colored aluminum paints or coatings**, but we will be happy to refer you to reputable manufacturers who do. Send coupon today for our informative booklets.

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Those are some of the things the drivers are saying—the men who live in trucks all day long and know a new kind of handling ease when they feel it. They're sold.

Owners are sold, too. They like their drivers happy. They also like the way Chevy's Torsion-Spring Ride lets them work faster, get in more trips a day. Quote: "I can average a load a day

## **1960 CHEVROLET**





more with it . . . make \$45 to \$50 a day more with this Chevy than we can with the others." Another hauler is able to go 30 miles an hour over rough roads he used to have to take at under 10. Result: "Where I used to deliver about 2,300 units [liquid petroleum gas] in a day with the other trucks, I can deliver 3,500 units a day with my new Chevy."

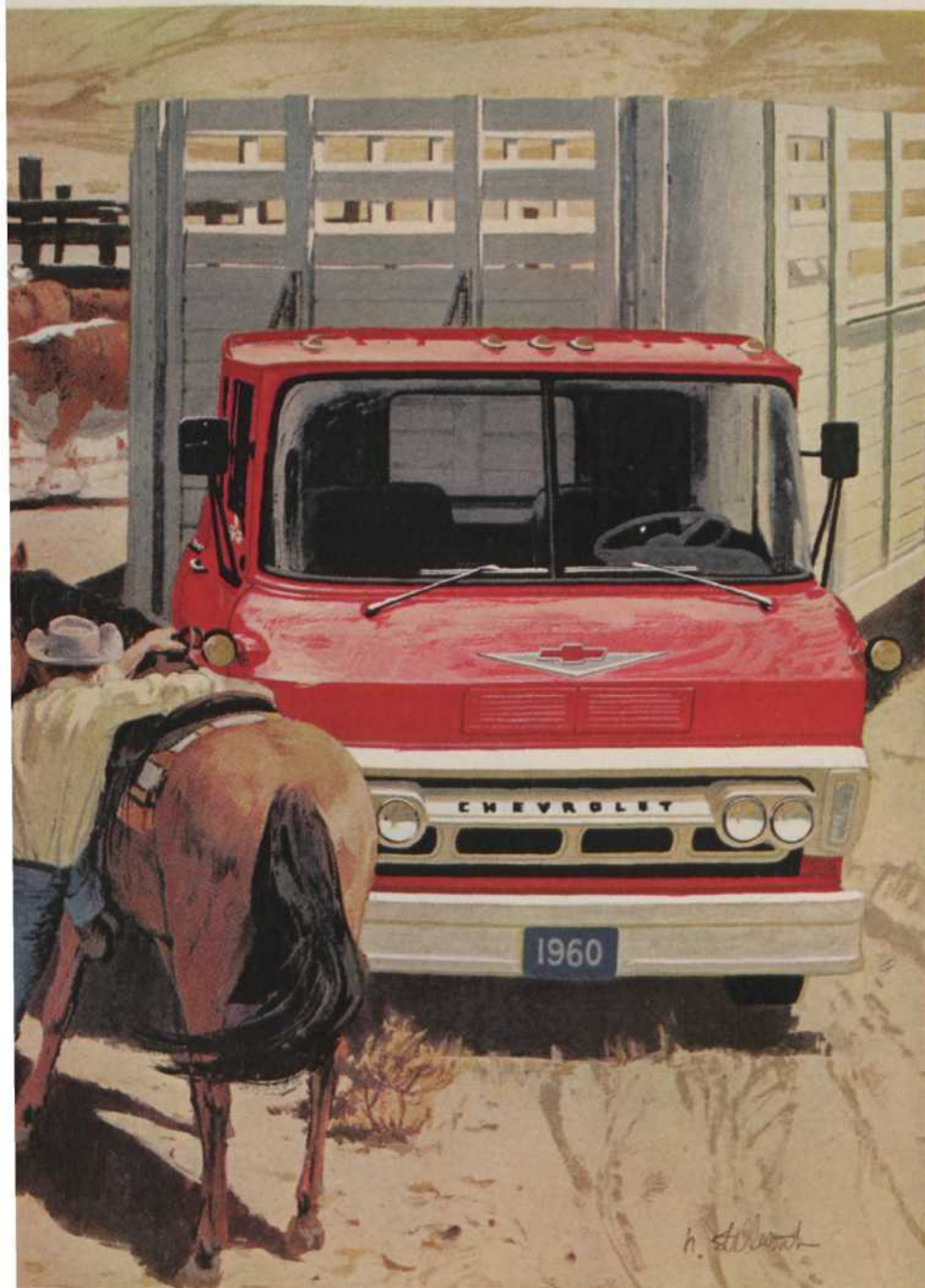
Those are prime examples of the kind of reports we've been getting on Chevy's ride. Truck owners are impressed by Chevrolet's high gas mileage and low maintenance. They talk about cab comfort and durability and good tire life. But always, they'll tell you again how great the new ride is. Try it. Just once. . . Chevrolet Division of General Motors, Detroit 2, Michigan.

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**INTERNATIONAL  
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## FEDERAL HELP

continued

half years later have Customs decide to get on with their paper work and drop this bomb with no recourse? Had this liquidation occurred promptly we could have adjusted our prices accordingly.

It seems incredible that a small company, struggling for its very life, should be struck down time and time again by federal departments, when what we need now more than at any other time are small businesses with enough fortitude to try and compete with Japanese imports. How can any small company be expected to fight Japanese competition and fight their own government regarding the inequities of the laws?

With the excise matter, holding of our tax refund, plus the Customs liquidation, the morale of our firm is at the lowest. Much of our productive time is spent processing appeals, organizing testimony, and so on. This is the sort of thing that will stamp out small businesses, if that is what is desired. No small company can operate a business on a small margin in the highly competitive toy field, hire certified public accountants and legal experts and then play the waiting game with the government.

Apparently small business must pay the supreme penalty unless it has cash to attract a battery of expert lawyers.

I am beginning to feel like a convicted man on death row. I don't know whether to continue the fight for what I wholeheartedly believe is right and just, or just put a padlock on the front door and send the key to the U. S. government.

Congressman Miller, it just isn't fair not to have the opportunity to visit with the heads of these various departments to plead my case and to ask for relief of some sort, or a reasonable explanation regarding their handling of our case. On the local level we cannot get a direct answer.

Sincerely,

BETTY JAYNE REMER,  
President  
Hearever Co., Inc.  
Castro Valley, Calif.

Since this letter was written, Representative Miller has arranged audiences for Mrs. Remer with officials of the Internal Revenue Service and Department of Justice. She also has testified before the Senate Subcommittee on Relations of Business and Government.

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Interior view showing storage section of Dunbar and Sullivan. Cuckler Buildings provide for use of all available space.

The Cuckler Building belonging to Dunbar and Sullivan Dredging Company has siding and roofing of corrugated steel.



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## The long arm of the people goes deep into the barrel

BY EDWARD T. FOLLIARD

FOR EXCITING DRAMA, tumultuous nonsense and fateful consequences, hardly anything in American life can compare with our national political conventions. The Founding Fathers never dreamed that we would come to such a method of choosing nominees for the great office of President; doubtless they would be appalled by the goings-on this month at Los Angeles and Chicago.

Over the years there has been sharp criticism of the convention method for one reason or another—complaints about conniving in smoke-filled rooms, heavy drinking, katzenjammer antics, and, in some instances, corruption. Irvin Cobb once said that our political conventions represent “more wasted energy, . . . more useless expenditure of noise, money and talent than any institution on earth.”

Nevertheless, it is through this institution that we have been choosing our nominees for President for 128 years, including Democratic winners from Andrew Jackson to Harry S. Truman and Republican winners from Abraham Lincoln to Dwight D. Eisenhower. In spite of the criticism, there is every indication that the convention method will be perpetuated. For, as the *London Economist* said after General Eisenhower and Adlai E. Stevenson had been nominated in Chicago eight years ago:

“The great strength of the American system, for all its turbulence, is that the long arm of the people’s choice can go deep into the barrel and pull out the best men available.”

Strangely, neither of our great parties invented the national political convention. The first such convocation was held by the Anti-Mason Party. It took place in Baltimore in 1831, and nominated William Wirt to run for President in the 1832 campaign. Mr. Wirt, Attorney General under President James Madison and a former Mason, repudiated all of the harsh things the party had said about Masonry.

The Anti-Mason Party never held another convention; it went out of existence.

In the early days of the republic, after political parties began to take form, nominees for President were chosen by senators and representatives at a party caucus. Thus, in 1796, the Republicans (forerunners of today’s Democrats) held a congressional caucus and agreed to support Thomas Jefferson and Aaron Burr. Federalist John Adams won that year, but Jefferson triumphed four years later to begin the long “Virginia dynasty.”

In 1824, by which time the Federalist Party had



*In spite of criticism, the party convention has proved a durable political institution*

disappeared, five presidential candidates emerged from what was then called the Democratic-Republican Party. They were John Quincy Adams of Massachusetts, son of the second President; William H. Crawford of Georgia, John C. Calhoun of South Carolina, Henry Clay of Kentucky, and Gen. Andrew Jackson of Tennessee.

The congressional caucus as a method of nominating for President (King Caucus it had come to be called) had fallen into disrepute. For the most part, the candidates were satisfied to be nominated by the legislatures of their home states. Mr. Crawford, who



## TRENDS: WASHINGTON MOOD

wasn't going anywhere, was nominated by a congressional caucus, but it was so poorly attended as to be meaningless.

This was the last congressional caucus ever held for the purpose of choosing a nominee for President.

Jackson was the top vote-getter in 1824. However, he failed to get a majority in the Electoral College, the election was thrown into the House of Representatives, and here Clay got behind Adams and put him over for President.

Four years later, Jackson won a landslide victory over Adams. In the stormy days that followed, "Old Hickory" broke with Vice President Calhoun over



*James K. Polk was the first dark horse; Warren Gamaliel Harding, the most famous*

the Peggy Eaton affair. He determined to dump Calhoun when he ran for a second term in 1832 and to make Martin Van Buren his running mate.

Taking a leaf from the Anti-Mason Party, the Democratic-Republican Party (which soon would drop the word "Republican" and shorten its name to "Democratic Party") held a national convention on May 21-22, 1832, in Baltimore. It was pretty well packed with federal office holders, and it did what was expected of it—nominated President Jackson for a second term and Van Buren for the No. 2 place on the ticket.

Thus was the national convention adopted by a major party to become one of America's most durable political institutions.

In most election years, the outcome of a national political convention can be guessed in advance. Occasionally, though, the favorite makes a mistake or runs into a formidable challenger, causing a stalemate or a deadlock. Then the stage is set for a dark horse to gallop to victory.

The first dark horse in our political history was James K. Polk of Tennessee, who won the nomination at the Democratic National Convention of 1844. The leading candidate was Van Buren; having been defeated for a second term four years earlier by William Henry Harrison, he now wanted another crack at the great prize. However, the Red Fox had come out against annexation of Texas, fearing it

would mean war with Mexico, and this had hurt him. On the first roll call, Van Buren got 146 votes, not enough for the nomination, and Lewis Cass, his chief rival, got 83. As roll call followed roll call with no decision, George Bancroft of Massachusetts suggested Polk as a compromise candidate. On the ninth roll call, there was a stampede to Polk.

The opposition taunted the Democratic standard-bearer with the query, "Who is James K. Polk?" However, on Election Day the obscure Tennessean defeated his illustrious Whig opponent, Henry Clay.

In 1852 the Democrats nominated another dark horse, Franklin Pierce of New Hampshire. Again there was a question, "Who is Franklin Pierce?" This time, however, the query was genuine, not a Whig sneer. Pierce also went on to win the Presidency, defeating Gen. Winfield Scott, a Whig.

Abraham Lincoln was not a dark horse at the Republican convention of 1860 in Chicago. But then neither was he the odds-on favorite. That role belonged to William H. Seward, former Governor of New York, who had the most money and was supposed to have the cleverest pros on his side, headed by the astute Thurlow Weed.

So certain were the Seward rooters that their man was going to win the nomination that they set up a cannon on the lawn of Seward's home at Auburn, N. Y., to be fired when the news of his victory came over the wire from Chicago.

On the first roll call, Seward got 173½ votes, Lincoln 102, and Simon Cameron of Pennsylvania 50½. On the second trial, Lincoln moved up on Seward, and on the third he passed him and won the nomination.

The Seward people cried. A Lincoln enthusiast sent the Railsplitter a wire in Springfield saying, "Abe, we did it. Glory to God!" Lincoln said quietly that he was going out to give the news to "a little short woman down at our house."

Perhaps the most talked about and most written about convention of this century was the Republican conclave of 1920 in Chicago. The nominee was Warren Gamaliel Harding of Ohio, a United States Senator who had been threatening to quit politics and who surely was one of the darkest dark horses ever to reach the White House.

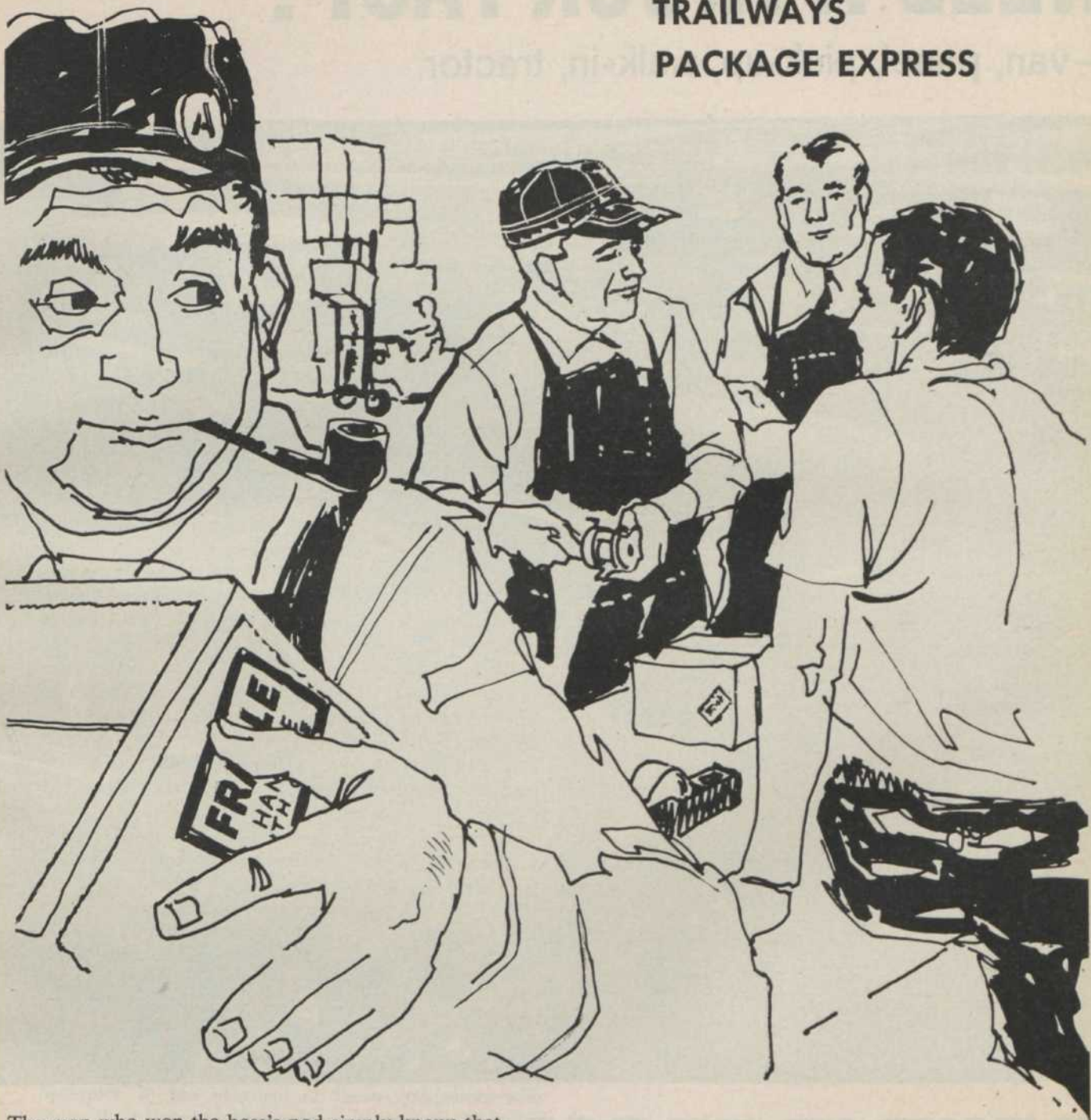
Harry Daugherty, Harding's campaign manager, told a reporter in advance of the convention that the nomination would be made "in a smoke-filled room at about 11 minutes after 2 o'clock in the morning." And he said that the nominee would be Harding.

The two leading candidates, Gen. Leonard Wood and Gov. Frank O. Lowden of Illinois, both of whom had hurt themselves by spending too much in the primaries, fell into a deadlock that lasted for four ballots. Then the Old Guard senators, who dominated the convention, arranged for a recess and retired to a suite in the Blackstone Hotel.

There was no particular enthusiasm for Senator Harding, but he was "available" in the sense that nobody seemed to be antagonistic toward him. And so it happened pretty much as Daugherty had foretold: in a "smoke-filled room" in the early hours of the morning, the party Warwicks decided that Harding would be the man.



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## There's lesson for America in student riots

BY FELIX MORLEY

WHEN THE DICTATORSHIP of Premier Adnan Menderes was recently overthrown in Turkey, the first action of the new regime was to honor the student leaders jailed during the demonstrations which touched off the rebellion. It was the same in South Korea, when senile Syngman Rhee was ousted at the end of April.

University students were also highly instrumental in the Cuban revolution which replaced Batista by Castro 18 months ago. And the role of youth in the heroic attempt to end the communist tyranny in Hungary in 1957 is not forgotten.

The picture of youth at the barricades is undeniably romantic and emotionally appealing. But these instances, from four widely separated countries, are sufficient to emphasize the always doubtful outcome. On the one hand, the Cuban people have not gained self-government by substituting Castro for Batista. On the other, Hungary is no happier for the immolation of those who vainly battled Russian tanks in the streets of Budapest. As for Korea and Turkey, it is still too early to pass judgment. We know that seemingly intolerable dictatorships have been ousted. We cannot as yet be sure that the change is other than the proverbial frying pan-to-fire alteration.

Nevertheless, there is something that stimulates optimism in the idealism of these youngsters who stake their lives—and often lose—in the hope of building a better society for their countries. Those whom a government conscripts in its defense are mechanized pawns compared with those who voluntarily combine to overthrow their government. Often the latter are misguided, but they are never lacking in the attribute of courage and seldom in the virtue of self-sacrifice.

Rebellious youth, moreover, has played a large role in our own history, tending to justify Thomas Jefferson's strong assertion that "the tree of liberty is watered by the blood of revolution." Both Alexander Hamilton and James Madison, gratefully remembered as two of our greatest statesmen, began their political careers as student agitators against British

rule. Just a century ago, as we now recall with melancholy pride, a whole generation of southern youth was preparing to turn its ardor into bitter resistance to the government of the United States.

A few years prior to that, in 1848, French students raised the banner of revolt against absolute monarchy, thereby establishing republican institutions



*Youth's loyalty to justice is common denominator of student demonstrations*

which, in spite of changes and setbacks, still endure. This constitutionalist movement quickly spread to most of what are now our NATO allies. Its stern repression in Bismarck's Prussia promoted that solid German immigration which has added so greatly to American stability and strength. A current book, "Intellectual Revolution in Modern China," recalls the role of Chinese students, many American-educated, in the abortive rising against the Peking government of 1919. One of the youthful leaders who then was jailed for this activity was Chou En-lai, now the ruthless ruler of Red China.

In view of the recent disastrous events in Japan there is a tendency to discover communist influence



## TRENDS: STATE OF THE NATION

behind every domestic protest against a government allied with us, while regarding such risings as wholly spontaneous when attempted against red rule. The universality of student restiveness, and its long history, make that interpretation suspect. Communists undoubtedly seek to infiltrate and stimulate any movement that opposes a regime receiving aid from the United States. But to assert that without communism there would be no such opposition to established authority is not demonstrable.

The causes of political agitation in the universities are not identical at all times and in every country. But there is certainly one common characteristic explaining, for instance, why Turkish students broke into demonstrations immediately following the triumph of similar protests in South Korea. This common denominator is the admirable loyalty of youth to the concept of justice. And since justice is most likely to be lacking under dictatorships, it is against these that students are generally most eager to act.

This being the case, one would expect to see the universities of the communist world, where tyranny is strongest, most active in protest against it. The logic fails for a reason other than the readiness of red leadership to stamp out any protest before it can gather strength. There is the further fact that where Marxism controls, almost without exception, we find a



*There is more intellectual ferment in Free World precisely because it's free*

background of authoritarian rule of an even more primitive nature, against which communism can still be pictured as a liberating force. With the passage of time, the red dictatorships will probably have much more trouble with their expanding intelligentsia. One cannot stimulate the spirit of scientific inquiry and expect it to remain unquestioning about political dogma.

There is more intellectual ferment in the Free World precisely because it is, at least relatively, free.

Turkish students marched against Menderes not because of communist promptings but because they resented a regime that seems to have flattered the Kremlin by imitation. Revolutionary changes, which at first glance may seem a weakness for our side, are more correctly envisaged as evidence of the vitality of freedom. If it were moribund this side of the Iron Curtain, youth would not rise in its defense.

That is a thought to be remembered by American parents as their sons and daughters begin to demonstrate in campus rallies here at home, a trend already apparent and likely to gather force during the coming academic year. We must admit that we have reluctantly gone a long way towards accepting authoritarian principles in this country. Everywhere else, that has eventually produced undergraduate protest. Those with our heritage of freedom are unlikely to be an exception to the rule.

It is to be noted, however, that such demonstrations are likely to take wholly irrational forms, reflecting the lack of critical ability in the participating youngsters.

At my own college, for instance, student picketing erupted this spring, in front of local chain stores whose national management maintains lunch-counter segregation where local opinion favors the practice. In the rhetorical words of the undergraduate newspaper: "If young people are not outspoken on problems of equality, then who shall be?"

If this admirable sentiment were uniformly applied, it would carry more weight. Student pickets would be thrown around the offices of labor unions which insist on membership as a condition of employment. The right to work where one wants is surely as fundamental as the right to eat where one wants. To deny the former to nonunionists is certainly as discriminatory as to deny the latter to nonwhites.

Reasoning power, however, is not highly developed among our college students and is sometimes perceptibly absent among their teachers. In these deficiencies lies the danger of undergraduate demonstrations. As our government becomes more and more remote, unwieldy, all-embracing and irresponsible, we may expect such demonstrations to increase. As an outlet for exuberance they are preferable to "panty raids." By the same token they should be more mature.

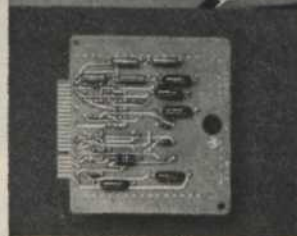
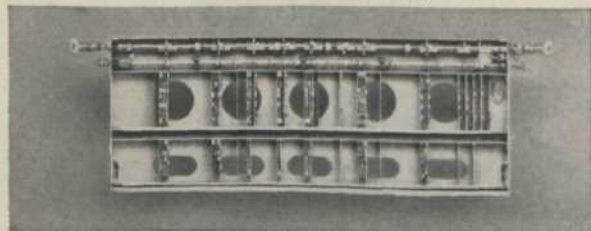
It is the business of educators to develop that maturity. But it isn't found in statements like that currently made by a professor of government in a highly respected small college. He naively confesses to a sudden discovery of "the enormous importance of local government," as follows:

*"Those of us whose eyes are firmly fixed either on Washington or international affairs have so often lost track of town, city, county and state governments that it comes as quite a shock to realize that democracies really begin by people managing local affairs well on a local level."*

Better late than never. If our college boys are beginning to learn that good local government is all-important in this federal republic, then their political demonstrations could well become something better than mere foolishness and waste of time.



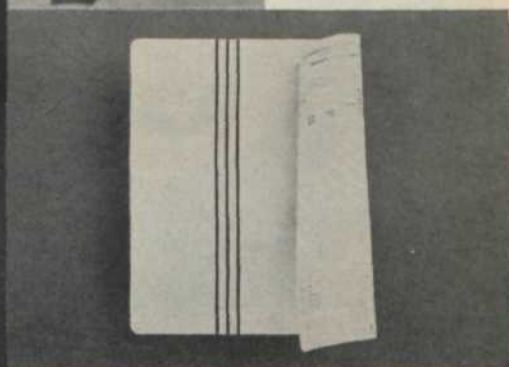
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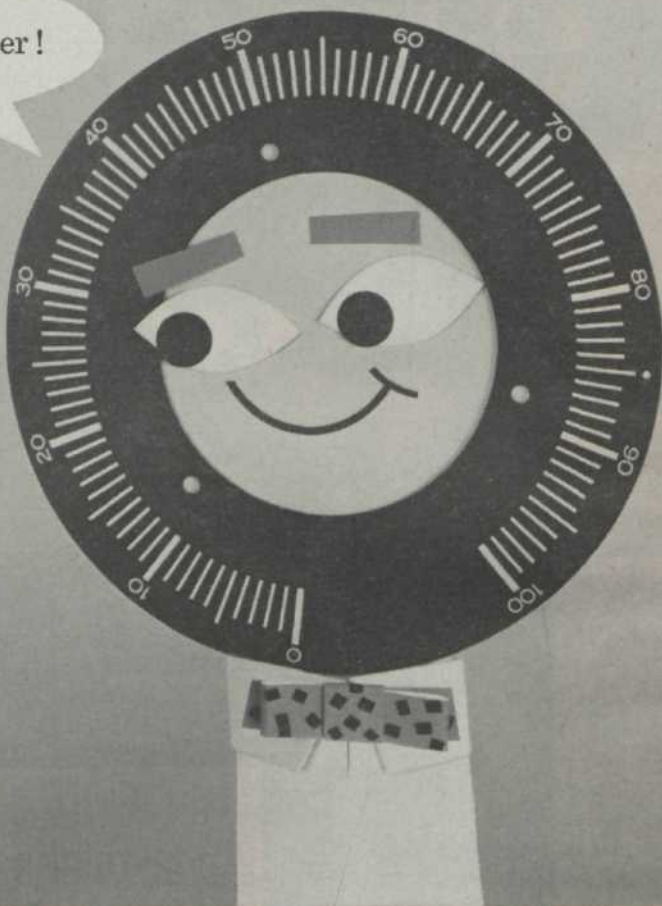


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EVERYWHERE

Be seeing a lot of you this summer!



## CARRIER AIR CONDITIONING AT DENSAL PAYS FOR ITSELF IN LESS THAN A YEAR

Is the need for increased production a problem in your plant? Then two courses of action are open to you.

You can hire more workers and provide additional manufacturing space and equipment. Or increase the productivity of those already on your payroll with air conditioning.

The wisdom of the second course is daily becoming apparent to specialty manufacturers, almost without number. One of them is the Densal Manufacturing Corporation of West Springfield, Massachusetts—producer of metal-etched and lithographed instrument dials and name plates.

Business is good at Densal—so good that overtime is constantly required to keep pace with orders. But in hot weather, when 3 P.M. shutdowns were

unavoidable, overtime was impossible. So management decided that worker productivity—not expansion—was the key to increased production.

The soundness of this decision has been more than demonstrated during the two years since a Carrier Heat Pump air conditioning system was installed. Production has increased 70% during July, August and September. Profits went up 83% in the same period. And the annual return on the investment has been enough to pay back the entire cost of the air conditioning system in less than a year.

Larger manufacturers, too, report that Carrier year-round air conditioning is delivering similar benefits. Significantly, such gains do not vary greatly as the result of geographical

location or the type of products manufactured. The most important factor in determining the profitability of air conditioning is usually the density of workers in a given plant or plant area.

Where the number of square feet per worker is low, the return on an air conditioning investment will invariably be high. For this reason, the most densely populated departments should be air conditioned first in any program that calls for the installation of complete plant air conditioning.

There are other yardsticks, too—all described in the booklet, "Will factory air conditioning pay off for me?" Write for a copy. We are sure you will find it helpful. Carrier Corporation, Syracuse, New York. And in Canada: Carrier Engineering Ltd., Toronto.



# TAX CUT OUTLOOK BRIGHTENS

Lawmakers will push plan to lower  
levies on business and investors

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A TAX-CUT PROGRAM for the future is taking shape in Washington.

Specific final legislation won't be drafted before next winter at the earliest, but it will most likely include:

- ▶ Lower individual income tax rates for all taxpayers.
- ▶ Reduction of the corporate rate.
- ▶ More leeway for businesses to write off costs of new plant and equipment faster.
- ▶ Repeal of a few, but not many, existing deductions or tax credits.

Some important tax lawmakers predict the prospective tax overhaul will embody a program of regular tax reductions for five years beginning in fiscal 1962, which starts one year from now. They say the tax relief will also include:

- ▶ More liberal capital gains treatment to encourage investment.
- ▶ Reduced estate and gift tax rates.

Whether such major business-stimulating tax reductions will be enacted depends largely on the outcome of the November election, the goals of the next President and Congress and the temperature of the cold war some months from now.

Despite these formidable future unknowns, tax reductions advantageous to businessmen and investors stand more chance of passage next year than at any time in recent years. Here's why:

First, the formal groundwork for tax reform will be completed by

then. Five weeks of hearings before the tax-writing House Ways and Means Committee last November and December and research papers and testimony of 175 experts in all phases of the federal tax system left no question as to the need for reform.

Since the hearings, tax specialists on Capitol Hill and at the Treasury Department have been analyzing the proposals for revamping our tax system to determine what their effect might be.

Closed sessions of the Ways and Means Committee, as well as public hearings, probably will be held by late next winter to narrow the area of prospective tax changes. Whether Republicans or Democrats control the House of Representatives next year, the aim of ranking members of the Ways and Means Committee is extensive tax revision and reduction.

Second, a budget surplus is expected for the fiscal year that's just beginning. Though federal revenues won't exceed spending by the \$4.2 billion predicted in the President's budget last January, a surplus cushion can be expected.

What's more, economic forecasters see good business continuing throughout calendar 1960 and into 1961. A slight dip in the economy is about the worst that is being predicted for late 1961. This indicates that if federal expenditures are kept

from shooting upward, economic growth and the resulting revenue take should roll up a sizable surplus for the next fiscal year as well as this one—perhaps \$3 billion to \$5 billion, even if defense spending increases faster.

Traditionally, a budget surplus has been a main prerequisite for tax reduction. Chairman Wilbur D. Mills of the Ways and Means Committee now includes it, together with executive branch support, as the major requirement for tax reform during the next Congress.

Third, the public has been told in news stories, periodicals and Sunday supplements over the past year that the present tax system is, as Mr. Mills puts it, "a house of horrors."

Businessmen have realized for some time that taxes often are the deciding factor in where they work, when and how much; in whether a business is done as a proprietorship, partnership or corporation; whether an American or foreign company is set up; whether dividends are paid or not; whether there is merger or sell-out.

Even the general public knows that taxes influence such personal decisions as when a couple gets married, when to plan their families and what they put in their wills.

But only recently has there been widespread demand for drastic reform. Critics of the tax system



## TAX CUT OUTLOOK BRIGHTENS *continued*

blame "loopholes" in the laws for inequities that may allow one taxpayer to escape the tax burden almost entirely, while another taxpayer with identical income must pay heavily.

So-called loopholes usually are not loopholes at all, but are special provisions that Congress has written into the law to ease the burden of high rates. Investors are allowed a lower rate for capital gains. High-income bracket executives are permitted stock options and deferred compensation plans. The aging can deduct an extra \$600 exemption for being 65 or older.

But other apparent inequities have come to light that are more difficult to explain or understand. Critics of these provisions ask, for example: Why should people who invest in life insurance not be taxed on the interest earned by their policies? Why should some employees get tax-free income in the form of company-paid lunches, medical and life insurance and pensions, while the self-employed must provide their own fringe benefits from taxable earnings?

Why are married people taxed more lightly through income-splitting than single persons? Why should depletion allowances—grant-

ed to producers of exhaustible or depletable minerals—be permitted also for producers of minerals "from sea water, the air or similar inexhaustible sources," as the law now states? Why is it that about 50 per cent of farmers' income and nearly 60 per cent of interest payments are not reported on tax returns, while 50 million persons on wages or salaries never see the portion of income taxes withheld from their pay?

The whole concept of the present income tax system can be questioned. Our obsolete rate structure represents attempts during the depression of the 1930's to redistribute income. It was further designed during World War II to raise huge revenues and restrict high income during the emergency.

The present income tax brackets are even higher than those of the wartime Revenue Act of 1942. The top bracket rate is now 91 per cent; the top rate then was 88 per cent on taxable income in excess of \$200,000. The first bracket rate is now 20 per cent, compared with 19 per cent then.

These high rates are now at odds with national aims and public policy, which is directed toward progress through individual incentive in a competitive market.

The villain in everybody's book is high rates. As Rep. John W. Byrnes, Republican of Wisconsin, a high-ranking member of the Ways and Means Committee, told NATION'S BUSINESS:

"We've got to work in the area of rate reduction. The heart of most problems in the Internal Revenue Code is excessive rates. It will depend on the composition of the next Congress, but I hope we can get a tax bill out next year."

Organized labor and many liberal members of Congress favor tax relief mainly for lower-bracket taxpayers. If taxes are to be revised, they want such changes as an increase in the individual exemption from \$600 to \$800.

This would mean a revenue loss of more than \$5 billion a year and take about nine million taxpayers off the tax rolls. Or they want to repeal the dividend exclusion and credit and thereby increase the extent of double taxation of corporate profits. Only about \$600 million could be picked up in revenue if investors no longer could exclude the first \$50 of income from stock dividends and take a credit against taxes of four per cent on the balance of dividend income.

Forward-looking congressmen see the problems and challenges of the years ahead as calling for a tax system that will encourage growth and productivity.

At home the rise in population from 180 million now to 210 million by 1970 will greatly increase demand for goods and services. Research expenditures, which may go from \$12 billion now to \$20 billion a year by 1970, will make obsolete much of the stock of capital goods and speed the need for new plant and equipment. More young workers will be entering the labor force in the next decade, so job demands will rise sharply.

Throughout the rest of the world population will rise by about 30 per cent through the 1960's while the levels of education and desire for consumer goods will accelerate too. The economic advancement of other nations will bring increased competition to domestic producers as well as wider opportunities for new investment and customers abroad.

Defense security requirements undoubtedly will continue the need

### How your taxes would be cut

If you make.....	\$10,000	\$25,000	\$50,000	\$100,000
Your federal income tax is now*.....	\$ 1,284	\$ 5,144	\$15,416	\$ 41,964
Under Herlong-Baker legislation, after five years tax would be reduced to.....	\$ 952	\$ 3,324	\$ 8,200	\$ 19,324
So your tax would be cut.....	26%	35%	47%	54%

\*Businessman with wife and two children, filing joint return and taking typical amount of deductions for his bracket.





YOICHI R. OKAMOTO

“Next year, if we have a \$3 billion surplus, I believe we’ll lower tax rates”

—REPRESENTATIVE HERLONG

“Support for our bill is growing in committee and on the House floor. The mail is heavily in favor”

—REPRESENTATIVE BAKER

for flexible and powerful productive facilities to make weapons.

All of this points to the necessity for a tax structure that fosters saving and investment and greater capital formation.

Tax legislation aimed at meeting the apparent needs of the future is now pending before the Ways and Means Committee. Only recently, however, has it gained any real momentum. The legislation is sponsored by Rep. A. S. Herlong, Jr., Democrat of Florida, and Rep. Howard H. Baker, Republican of Tennessee.

The Herlong-Baker bills provide for tax reduction by using the average annual increase in revenue of about \$3 billion or \$4 billion a year that comes from national economic growth. Instead of spending this increased revenue for more government programs and projects each year, a schedule of rate reduction over five years would return the money to taxpayers and stimulate more growth and more revenues for the future.

The Herlong-Baker bills would bring the first-bracket tax rate down from the present 20 per cent to 15 per cent over five years. The top individual rate would be lowered from 91 per cent to 47 per cent.

The bills provide for five annual reductions of one percentage point each in the corporate income tax, with the top rate reduced from 52 to 47 per cent.

Annual cuts over the five years would bring a reduction of 25 per cent in the time during which businesses could charge off the cost of depreciable property. This would make it easier to replace worn-out or obsolete equipment which sometimes costs two or three times the original price because of inflation.

The bills would defer taxes for an individual on long-term capital gains until the taxpayer sold his holdings, made a cash profit and didn’t reinvest the proceeds. This would mean a person could transfer capital from one investment to another within a taxable year tax-free.

The top rate on the estate tax

would be reduced from 77 per cent to 47 per cent and the top bracket on gift taxes would be lowered to 35.25 per cent from 57.75 per cent. Reductions in these rates would be proportionate down the line.

The total program would cost about \$3.5 billion annually. Revenues from normal economic growth should provide about this amount.

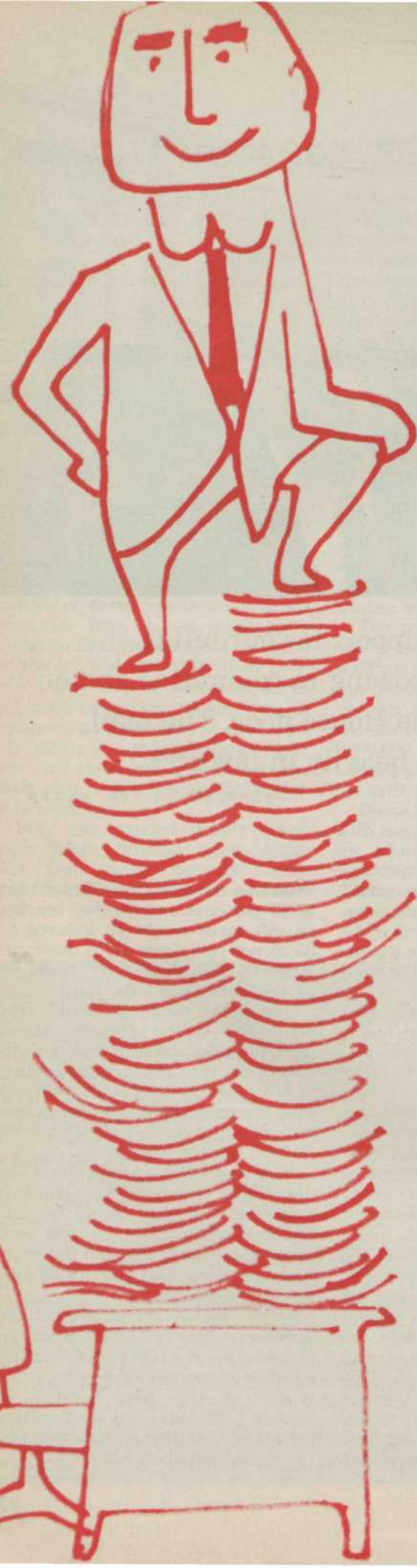
Any year in which it appeared that tax reduction would throw the budget out of balance the slated reduction would be postponed.

This provision would tend to discourage excessive government spending. Congress would be less likely to appropriate for new programs that would wipe out the prospect of expected tax cuts for 60 million taxpayers.

If this legislation is enacted, its sponsors believe our economy should grow at a rate faster than the roughly three per cent yearly increase of the past because it wouldn’t be restrained by punitive tax rates. Permitting more accumu-

(continued on page 52)





# HOW TO BUILD SELF-CONFIDENCE

The secret lies in knowing what it is, what it is not, and how much you need

A GROWING NUMBER of today's executives lack confidence in their own ability, judgment, and power.

Perhaps the principal reason is that our age is characterized by constant change. Business organizations are giant complexes whose problems and personnel are constantly shifting. Such an atmosphere does not breed confident individuals.

The president of a manufacturing firm notes that executives must learn to live in an environment that requires more and more self-confidence when there is actually less and less to be confident about.

Just as the development of self-confidence is difficult, so is the problem of pinpointing its dimensions. Normalcy is hard to determine. Much depends on the individual.

In broad dimensions, though, we can determine the level of self-confidence in ourselves and others by understanding:

- ▶ What self-confidence is.
- ▶ What it is not.
- ▶ How lack of it shows up.
- ▶ How to develop it.

## **What self-confidence is**

Self-confidence is a realistic feeling that you can fulfill the demands of a productive and successful career. It is rooted in a feeling of adequacy that allows you to take a strong hand in your own development. In this sense the self-confident executive is self-directed.

More important than the nature of self-confidence is how the self-confident manager behaves. The individual who believes in himself generally believes in others. He who doubts himself, doubts the whole world.

The self-confident executive behaves as though others are capable of performing their various roles. Consequently, he is known by his willingness to delegate, communicate, and ask advice. He does not quickly impute

*(continued on page 70)*



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## HOW'S YOUR SELF-CONFIDENCE?

Your answers to the following questions will give you clues to the state of your self-confidence. For interpretation of your answers, see page 70.

1. Would you enjoy starting out on a vacation trip without knowing where you were going?
2. Is it essential to your happiness to be sure the conduct of your affairs is above reproach?
3. Do you feel you are capable of mastering almost any situation?
4. Is it hard for you to get your mind off your responsibilities?
5. Do you find that many people attempt to influence you during the day?
6. Do you inwardly hold out against people who are trying to influence you?
7. In general, do you go your own way regardless of what others may say or think?
8. Do you always feel an inner pressure to get a job done, even though there is plenty of time?
9. Do you enjoy experiences where you can't know what is going to happen next?
10. Are you inclined to be upset when circumstances do not permit you to do things the way you are accustomed to doing them?
11. Do you enjoy being in a position where your decision is the final word?
12. Are you usually aware that you are impressing people?
13. Do you tend to leave it to your own judgment whether or not to obey a rule?
14. Is it important to you to be in the know about what is going on in your group?
15. Do you feel that you could break almost any habit?



# Why experts argue on defense

## New weapons push up costs, add to need for economies

THE ELECTION-YEAR DEBATE over defense boils down to one significant policy issue:

Must military spending be raised in the future to insure safety from communist attack?

Military leaders point to Soviet Premier Khrushchev's new truculence as proof that the U. S. must increase, year by year, its outlays to build an overwhelming superiority. Their view that this country can never have too much strength has won considerable support in Congress.

No one suggests any weakening of American strength. But, barring new Kremlin threats, opponents of all-out military spending, including some of the best-informed members of Congress, emphasize that this nation should gear its program to the long-term communist threat, avoiding costly crash projects.

The House Appropriations Committee puts it this way:

"To try to do everything theoretically possible in all directions in a long-haul arms race, such as we are presently engaged in, would be economically disastrous."

Under the Eisenhower Administration, defense spending has slowly climbed from a post-Korean War low of \$35.5 billion in fiscal 1955 to a plateau of about \$41 billion in each of the past two fiscal years. Little, if any, change is anticipated in the fiscal year that started July 1, despite the juggling of appropriations after the summit collapse. The Administration does not have to spend all the money Congress provides.

Where do we stand?

Rep. George H. Mahon, the Texas Democrat who heads the subcommittee handling military funds, concedes that the evidence indicates the Russians have more intercontinental ballistic missiles, "and will be ahead of us through 1963." In total military power, however, he told the House firmly that all the testimony, public and secret, given his panel convinced him the U. S. is stronger.

America will stay ahead through 1963, despite the Soviet ICBM superiority, Representative Mahon asserted, "if we continue to maintain our bomber strength, our overseas bases and military personnel, our fighting ships, if we move forward as planned with our long-range missiles, if we develop a strong and thoroughly dependable airborne alert, and if we move along with our ICBM detection systems as planned."

How much money will be needed to do all these things and maintain other necessary military activities is the question.

Key congressional leaders, including many who are committed to moderation in defense spending, are convinced that outlays will inevitably climb in each of the next five years or more.

They cite these factors:

- Expensive new weapons, developed over several years, now are ready for mass production. Others will be coming along quickly.

- There's no letup in the need for research and development work on ways to counter Russia's missiles and other weapons.

- Replacement of aging ships, guns and other equipment cannot be delayed much longer, and replacements cost many times as much as the old gear.

- Military retirement pay will cost more each year.

- Practical politics suggests that no successor as President is likely to have as much moderating influence on the military brass as former General Eisenhower.

Despite these pressures, others, also well informed, insist little or no increase in defense spending is necessary or prudent.

"I don't accept a presumption that defense spending must necessarily increase," Budget Director Maurice H. Stans asserts.

Those who share his view base their position chiefly on the belief that within an unexpectedly short time the U. S. will have enough

missiles and other weapons to wipe out Russia. The only need would be to keep this arsenal at full strength, the argument goes, and this would be a much less costly process than building it.

In the meantime, many believe that needed spending boosts in some programs could be at least partially offset by these economies:

- Cutbacks in the number of men in service as devastating weapons lower the need for manpower.

- Early decisions to drop unpromising weapons before hundreds of millions of dollars are poured into their development.

- Control of all military spending by the Secretary of Defense instead of by the individual services.

- The elimination of duplication through a genuine effort to integrate procurement, supply, intelligence, recruiting and transportation by the services.

- An overhaul of the retirement system to scale down the huge increase now scheduled in its cost.

However desirable reforms may be, resistance to change is strong in military ranks, congressional experts point out. They predict it will take many years to change most practices.

That's the basis for their belief that defense spending is certain to rise.

There's little general agreement on how much the increases will be, but most guesses range from \$500 million to \$1 billion or more each year, including the cost of inflation.

Representative Mahon estimates the rise could be as much as \$4 billion or \$5 billion if the military services were allowed to ask for the funds each thinks it needs.

But the President and Congress are likely to scale down these proposals. A more realistic prediction of the probable annual increases would be about \$1 billion, Representative Mahon believes.

A slightly lower estimate comes (continued on page 80)



# Spending targets for space-age weapons

(Total backers seek for each project)



**MIDAS**  
\$ 1 billion



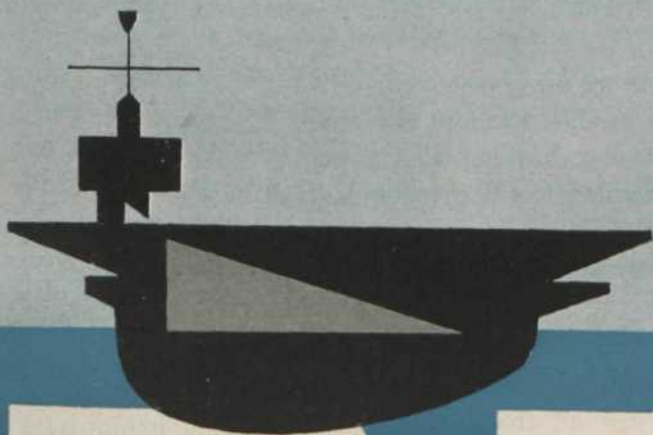
**MINUTEMAN**  
\$ 1 billion



**B-70**  
\$ 5.5 billion



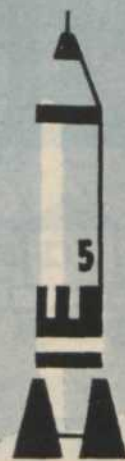
**B-52**  
(airborne alert)  
\$ 2 billion



**CARRIER**  
\$ 423 million



**POLARIS**  
\$ 9.9 billion



**ATLAS**  
\$ 5.5 billion





# FIGHT FOR SALES CHANGES

New challenges and opportunities demand new techniques. Here's what to expect

## UPGRADING AND DIFFERENTIATION:

Future emphasis will be on replacing items in basic home "package" of goods, services . . .



while most families will spend more on such outside wants as boating, foreign travel . . .

U. S. MARKETING LEADERS are operating in a dynamic new pattern. Creativity and innovation are its guiding forces. Speed is its main objective.

At its core is the marketing concept evolved in the mid-fifties, which focused company effort behind the marketing department. But, in today's evolution, the marketing department has been expanded and synchronized to interlock all departments of the company into greater effectiveness.

At the same time, a transformation is taking place in the market itself. Too new to be completely defined, it has these clearly emerging patterns:

*Manufacturers are drawing nearer the consumer:*

1. Through new sociological techniques applied to a closer study of living patterns.
2. Through company-operated distributing, retailing and service outlets, set up to cut costs and meet customer demands for improved service.

*Marketing tools are being reshaped:*

1. Advertising has had to adopt new tenets.
2. Traditional sales thinking is changing.
3. Product planning has been extended full cycle.

So much for a bird's-eye view of developments. Now let's look at some of the new forces and what they promise for the future.

First, examine the influences that brought the change about. Principally, they are four:

*Stepped-up product innovation:* People today want new things, the very latest, just off the drawing boards. Living habits have changed; more time is spent on the terrace, near the swimming pool, on the beach. People are on the move. With more disposable income, everyone enjoys more leisure, more adventure, more sports, more travel and more novel experiences of all kinds. Money goes into budget trips to Europe, college degrees, automatic movie equipment, swimming pools and all manner of new electronic gadgets.

All these new conditions speed the rate of product innovation. An analysis of the consumer-goods market shows that, of the 100



# MARKETING METHODS

leading brands ten years ago, only 40 remain in first place today.

A study of those that lost out shows these reasons:

- ▶ Competition from an improved product—54 per cent.
- ▶ Competition from a radically new product—23 per cent.
- ▶ Competition from superior advertising and promotion—23 per cent.

In other words, 77 per cent lost leadership because they did not successfully meet the challenge of new product development.

*Breakthroughs in science:* With changes in the market has come a tremendous surge in scientific development. Space-age materials are flowing steadily from government-sponsored and private research. Ten billion dollars will be spent this year to develop new things.

*Hotter competition:* Industries today are involved in perhaps the most intense competition in 20 to 25 years.

"It used to be that you got a six-month lead with a new product," says one marketing director. "Now you're lucky if you come out with your new product ahead of your competitor."

"Marketing in the next decade is going to be no picnic," says John Sargent, of Cresap, McCormick and Paget, management consultants. "Due to better ethical standards, competition may not be as ruthless as it was 50 years ago—but its effects on business profits can be just about the same."

This kind of business rivalry accentuates the importance of planning, strategy and organization.

*Profit squeeze:* Profits of 200 leading companies fell from ten per cent of sales in 1940 to less than six per cent in 1958. In 1959 many companies reported sales up but profits down.

All these factors combine to bring radical changes within the company and tie the various departments together more closely for marketing purposes. Department by department, here's how it comes about:

*In marketing:* Basically, the marketing department is more important than ever. Attesting to this is a study of 250 major manufacturing companies during the decade 1949-1959 by the management research department of Booz, Allen and Hamilton, management consultants.

"More and more firms are realizing," says C. Wilson Randle, partner in the company, "that they must shape the whole company to a marketing accent. It is becoming increasingly more easy

## ANALYSIS OF FAMILY BUYING BEHAVIOR AND DESIRES:



In one consumer study, sociologists placed diaries in homes. Housewives noted activities, hour by hour . . .

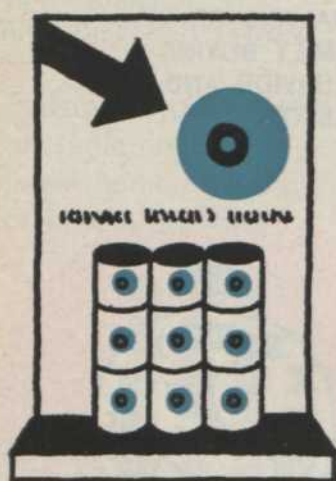


# FIGHT FOR SALES CHANGES MARKETING METHODS

continued

## MARKET STUDIES:

Actual point of sale has been most overlooked part of marketing...



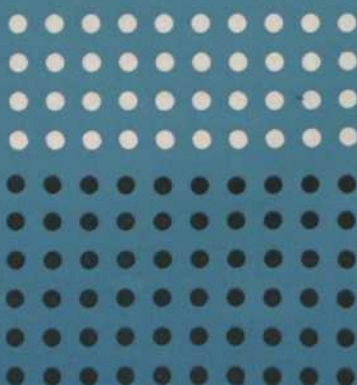
yet it's the point where investments in advertising come to a focus...

to make a product than to sell it. In line with this new accent is the move to put new product decisions under the chief executive so that all company functions can be more effectively integrated for product success. This is highly significant because new products determine the future of the company. If the chief executive gives up new product decisions, he gives up company leadership."

*Manufacturing:* Since products and processes are satisfactory for shorter periods, production methods are changing. In some cases, the mass production line is being abandoned in favor of specialized production facilities. In others, the rapid changes from one product to another have led to more general-purpose production set-ups which do not have to be confined to one product alone.

*Finance:* Rapid product obsolescence is radically affecting financial policies, too. A producer must continually strive to hold down his investment in production equipment. To meet the changing conditions, it has become possible to rent the needed buildings, lease equipment, operate on suppliers' funds and pledge accounts receivable. All of these conditions make it imperative to foresee the life of the product being built.

*Programming:* The big question is how to create diversity and variety without losing the benefits of mass production. It is necessary to get the best product mix for variety and manufacturing efficiency. This problem is being solved by an integrated application of long-range planning and programming. It used to be possible for the marketing processes to filter through the various departments. Now, because of the need for speed and the high cost of launching new products, they must be organized for a fast run-



Of 100 brands which led 10 years ago only **40** are at top today

Why others slipped:

Improved rival product, 54%

New rival product, 23%

Competitors' superior advertising and promotion, 23%



through in advance. This has led to pilot-line, or programmed, marketing, in which a new product is shepherded in advance through all the steps from conception to consumption.

Often this is done by a staff of specialists who first evaluate the product's impact on the market and develop estimates on sales volume. Then they estimate introduction and selling costs, warehousing and other distribution expenses. Next, they plan production facilities and costs and translate the whole thing into profit and loss and balance sheet figures. Management can decide with assurance whether to take the new item into a national marketing operation.

Now it is time to look at some of the individual marketing activities.

These include:

- ▶ Consumer studies . . . in which the customer is consulted.
- ▶ Design and development . . . his wishes are translated into a product.
- ▶ Advertising . . . the product is described.
- ▶ Sales . . . the product is presented.
- ▶ Market studies . . . its impact is discovered.
- ▶ Distribution . . . the product is delivered and serviced.

### Consumer studies

The effort to get closer to the customer has intensified, matured and taken on new depth, particularly in developing techniques of behavioral research.

To learn more about the behavior and desires of consumers in families, groups and communities, more companies are employing sociologists. Through basic and applied research, these scientists attempt to find out precisely how people act—and then project their needs into the future in terms of product planning.

At General Electric, for example, behavioral research is being conducted by a staff under the direction of Dr. Nelson Foote.

In some of their surveys, these scientists practically live with the families they are studying. They cooperated in a study that analyzed the behavior of 48 families in Tarrytown, N. Y., over several seasons. The sociologists planted with each wife a book containing 24 double pages, each spread covering one hour and divided into 12 boxes representing five-minute portions of that hour.

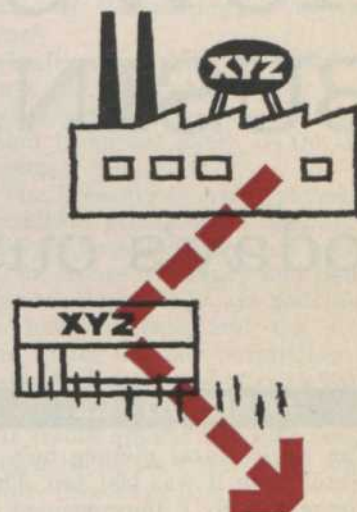
The activities were coded according to their objects: (a) self (b) other persons and (c) things. The persons were members of the family and the things fell into these categories:

1. Food, liquor, tobacco.
2. Clothing.

*(continued on page 44)*

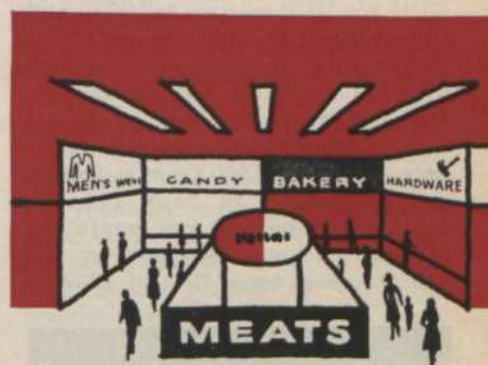
### SALES:

Some companies rely on pre-selling . . . but more and more are opening their own outlets . . .



### SPECIALTY SHOPPING:

Because of people's love of specialty shops and of their high cost. . . .



one-stop super-markets are being designed to simulate many of them . . .



# HOW'S BUSINESS?

today's outlook

## AGRICULTURE

The agricultural picture now is brighter than it was last fall. This is due mainly to, 1, improvement in farm prices, 2, stability of production costs, and, 3, an increase in exports.

The U. S. Department of Agriculture reports farmers are receiving higher prices for livestock and poultry products following the reduced production of hogs, broilers and eggs.

Prices of farm power and machinery may not increase as much in 1960 as in previous years. Interest rates appear to have reached their peak. However, wage rates and taxes continue upward. Total production expenses are expected to be a little higher than in 1959.

The value of our agricultural exports for 1960 may exceed 1959 and almost equal the 1957 record.

Assuming average weather and growing conditions, the Agriculture Department now estimates that net income from farming may be down only slightly in 1960 from last year. As the number of farm families continues to decline, per capita net income of farm people from all sources could equal that of 1959.

## CONSTRUCTION

Foes of free housing markets are now trundling out an idea that pre-dates the Caesars and was employed by them. The idea is that men in political power can decide how much of some things the country needs

and then use political power to get them.

In the construction field this idea appears as Housing Goals.

This proposal would require the President to state, annually, a housing-starts goal and to indicate the administrative and legislative means "necessary or desirable" to reach it.

In practice, this sort of proposal encounters two major problems and has one fatal defect.

The problems are that the task of setting realistic goals is impossible and forcing construction to fit politically preconceived notions is both difficult and wasteful.

The defect is that such plans—except where there is total and continuing regimentation—simply do not work.

The system that does work is one of free markets—providing the needed buildings in the right place at the right time.

Despite these facts, the appeal of control proposals indicates that we will hear more about Housing Goals before we hear less.

## CREDIT & FINANCE

Heavy Treasury financing will continue throughout the year despite the fact no more refunding is scheduled before August.

Refundings of maturing debt will exceed \$20 billion, but only about one half of this will be publicly held debt.

The June advance refunding of \$5 billion of bonds maturing in November 1961 opens a new field

created by congressional refusal to remove the 4¼ per cent interest rate ceiling.

Cash financing of from \$8 billion to \$9 billion will be required. Between \$4 billion and \$5 billion of this will be used to offset the temporary seasonal deficit created by uneven tax collections. The remainder will go to handle special one-year bills—due in July and October—and to redeem Series F and G bonds.

However, net federal demand will be \$2 billion to \$3 billion below the 1960 fiscal year.

Forced reliance on the short-term market for new money will tend to keep these interest rates firm despite the indicated lower market requirements.

## DISTRIBUTION

Wholesale-retail business continues good—propped by new gains in employment, personal income and consumer spending.

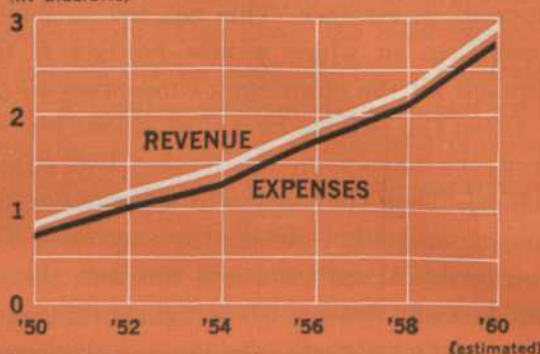
While comparative volume figures give a dramatic picture of sales conditions, important changes in marketing techniques are exerting their influence on total volume.

In the grocery business, for example, nonfood items (health and beauty aids, housewares, etc.) are accounting year by year for more of total sales. Food retailers still are extending these lines, but they're uncertain how far to go.

In the restaurant, cafeteria, lunch counter business, considerable labor-saving equipment has

## U. S. AIRLINE REVENUES —AND EXPENSES—SETTING NEW RECORDS

(IN BILLIONS)



Source: Air Transport Association



# Chamber of Commerce of the United States

been introduced to counteract rising labor costs. These costs have moved from 25 per cent of the income dollar to 35 and even 40 per cent, and restaurateurs are pleading for more labor-saving devices.

One source notes that interest in restaurant equipment is shifting to centralized mass production systems which would supply food to many restaurants in a given area.

## FOREIGN TRADE

In preparation for U. S. participation in trade-agreements negotiations beginning in September at Geneva, the Department of State has announced public hearings regarding preliminary lists of products proposed for negotiation.

Two lists are involved, one of products on which the U. S. may seek concessions from other countries, the other of products to be considered for possible U. S. concessions.

These lists are preliminary, designed to give interested persons a chance to submit information as to what concessions might be made.

Such views should be submitted to the interdepartmental Committee for Reciprocity Information, Washington 25, D. C. Only those persons will be heard who presented written briefs or statements and filed applications before June 27. However, those wishing to submit written statements may do so until the opening of the hearings July 11.

## GOVERNMENT SPENDING

As the government enters fiscal 1961, prospects for a substantial budget surplus are still strong. Although Congress has not given the President many of the revenue measures he asked for in his 1961 budget message, it has failed to pass several spending bills which would have jeopardized the surplus.

On 1961 appropriation measures, the pattern has been to stay close to the Administration's over-all estimates, but to make adjustments within the totals.

Fiscal responsibility is a clear issue in the forthcoming campaign and all but the most extreme advocates of federal spending have been somewhat constrained. Additionally, the threat of a veto has hung over deliberations on spending measures. The proposed salary in-

creases for federal career employees are an example.

## LABOR

Two decisions by the Supreme Court have raised new questions regarding management's right to manage and the requirements of good faith bargaining. Already one of the decisions has produced a corrective but controversial Senate bill.

When the Court held that a railroad could not close 123 little-used freight stations without obtaining permission from a union or risking a strike, unions everywhere were encouraged to demand that future labor contracts read: "No position shall be abolished or discontinued except by agreement between the union and the employer."

In the 5-4 majority opinion, Justice Hugo Black said it was up to Congress to grant relief. Sen. Everett Dirksen, Republican of Illinois, then offered a bill to nullify the decision and provide that "terms and conditions of employment" do not include the creation or discontinuance of jobs.

AFL-CIO spokesmen already have objected to this bill.

Earlier the Supreme Court held that a union's action in using "slow-down" and other tactics while bargaining for a contract was merely economic jockeying and not bad-faith bargaining. This decision has encouraged harassment tactics.

## NATURAL RESOURCES

Now that the Tennessee Valley Authority is ready to market its revenue bonds to raise money for electric power expansion, it has taken an option to buy 60,000 acres of private land in Kentucky as a possible source of coal for new TVA steam plants.

Already the largest single coal user in the country, TVA may need 40 million tons a year by 1970.

The Kentucky coal lands are attractive because of their low price. Ownership of a source of cheap coal would help hold TVA's power rates down. Other factors of the proposed deal include: TVA would pay no local or state taxes or mining royalties on coal from the purchased land; the coal operation might also mean the end of private timber operations which contribute to local economies.

## TAXATION

Since January, the House Ways and Means and Senate Finance Committees have wrestled with a variety of minor bills—and a few major ones.

But the major problems of tax reform have been shunted into the realm of "something to do next year."

Chairman Wilbur D. Mills of Ways and Means has all but promised broad consideration of tax revision proposals early in the 1961 session.

The Treasury is investigating depreciation practices of industry to determine what changes are needed.

The House Judiciary and Senate Finance Committees are waiting to see how business and the states fare under the law permitting the states to tax income of out-of-state firms.

It would appear the 1961 session should be active from a tax standpoint. (See page 31.)

## TRANSPORTATION

The airlines expect to set new records this year for revenue and expenses. Forecasts run as high as 18 to 20 per cent more than last year, yet the plight of this huge operation is clouded.

Promises for a brighter future are dimmed by unsolved issues.

Congress has been looking into problems of safety, subsidy and delays in governmental procedures.

The long-delayed fare increase—admittedly no panacea for financial ills—is needed to brighten the financial picture. Increased user charges (fuel taxes) will be a major item of legislation next year. Heavy, long-term debt to finance modern equipment contributes to the difficulty of attracting new private investment.

One development might change the future for some carriers and the industry in general. Increased interest in mergers offers a potential solution to problems of duplications caused by excessive competition.

In spite of these problems, domestic, overseas and local service air carriers are looking toward improved business operations in the next 18 months. However, the public must now expect to pay a greater price for air service.



## FIGHT FOR SALES

continued from page 41

3. Personal and medical care.
4. Home operation, improvement; home furnishings, equipment.
5. Transportation.
6. Shopping and services; storage.
7. Recreation.
8. Education.
9. Religious and welfare activities.

One example will illustrate the value of the insights that can be gained from this kind of analysis. As Nelson Foote explains it:

"Many episodes of family life are phases leading to some major event. The acts of shopping, storing, cooking and serving, for instance, culminate in the eating of a dinner. But the terminal phase of nearly all such events is the cleaning up afterward. Such diverse processes as decorating a Christmas tree, playing a game, or dressing up for a party end with cleaning up.

"The housewife, who usually performs this terminal phase, thus faces a routine activity at the end, regardless of how pleasurable the event."

The implications would seem obvious: The importance of developing more and better cleaning up equipment.

"Such a study provides a good basis for predicting changes in habits," says Dr. Foote. "Some of the information can be easily applied: to find out, for example, how long it takes people to learn to use aluminum foil. Some families couldn't function without it. Some never use it on anything but roast turkey. You need to find the people who are really inventive of new uses. In planning market strategy, you may decide to concentrate on these big users; otherwise you could work your head off and never bring up the low ones."

Though such studies as the Tarrytown survey are more basic than

this, they can also be of practical value. In general, the Tarrytown study sought to find:

To what extent do people actually allocate their time between competing demands? How nearly does the allocation correspond with the pattern they would prefer? How much control do they actually exercise over their own time and activity?

By combining these findings with data on sales, population shifts, market location and profitability, analysts are able to predict trends.

According to Dr. Foote, indications now are that, of the two broad tendencies in the consumer market—upgrading and differentiation—the latter, which has hitherto been of lesser importance, may be more important in the future. The reasons:

**Upgrading:** In the past two decades, American families have been accumulating a hard core of what we might call the standard package—a mixture of goods and services that make up the American way of life: automobiles, appliances, food, clothing, shelter, medical care, education, retirement and so on.

In the next decade, say marketing leaders, the average family's package will be improved more by replacement than by addition of new things. Upgrading will focus on the home as it has focused in the past on the automobile—making the yard as well as the inside space self-expressive.

A revolution in the technology of both home design and home building may bring an end to the use of forced obsolescence to create renewal demand—people will resist, for example, the replacement of still functioning built-in appliances.

**Differentiation:** At the same time, most families will be spending more money outside the standard package area on their own individual interests: one family goes in for boating, another for foreign travel.

In the trend of differentiation, families tend to become less like each other, so that such concepts as the national market, of a complete product line under one trademark, may have to be increasingly modified.

As long as families were accumulating the standard package, national consumption tended to become stereotyped. In such areas as recreation, however, the basic force tends to differentiate families. The recreational potential acquired by the average American family since World War II includes such things as long ski week-ends, a back-yard swimming pool, a European vaca-

## WATCH FOR...

### How to do it now

Every job has its deadlines. Fortunately, you can take these positive actions to increase your capacity to meet important deadlines.

### Get ready for the luxury boom

The next real boom, which could begin 24 to 36 months from now, will be fueled by what business in the 1950's considered luxury markets.

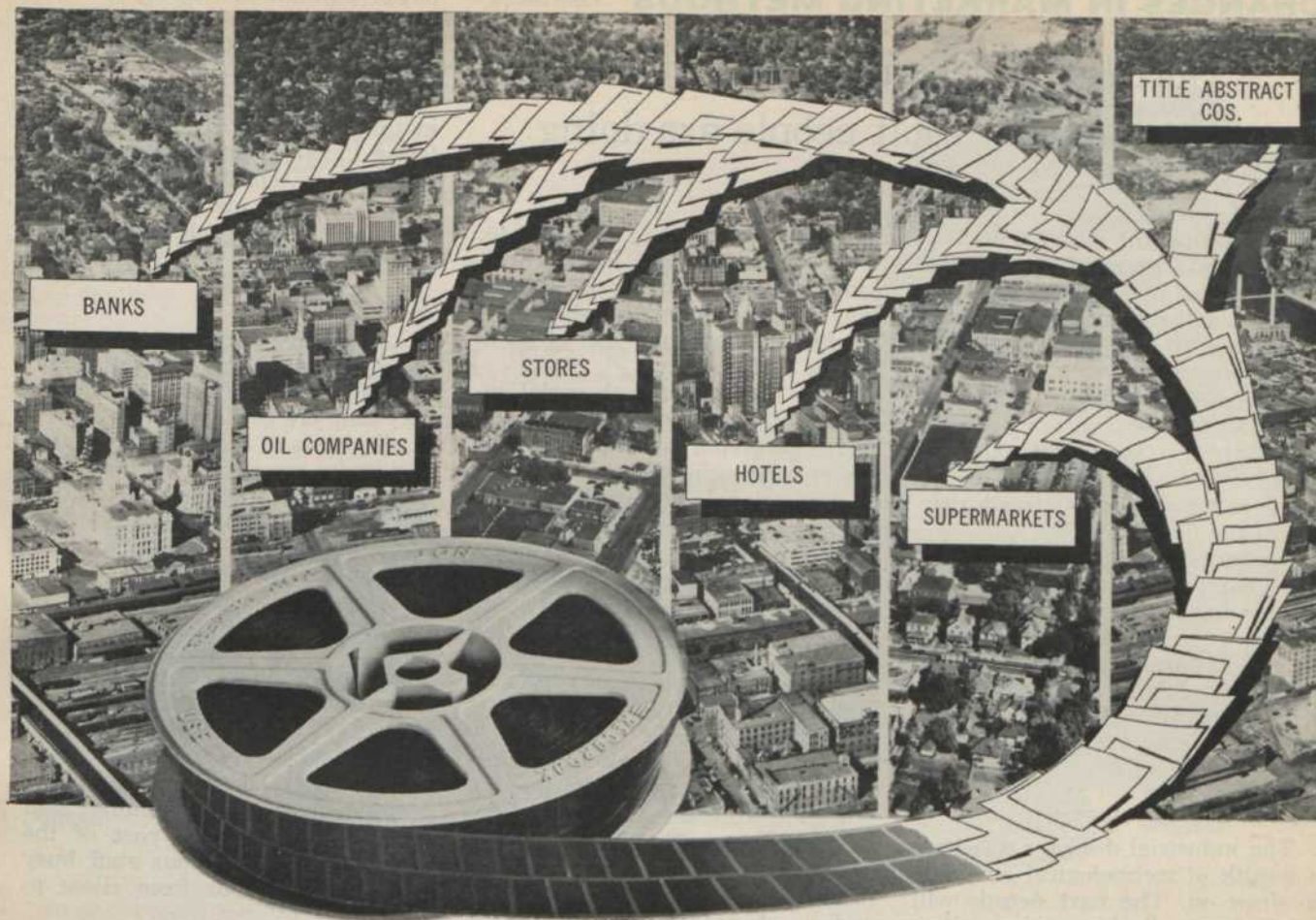
### What new skill demands will mean

Your relations with labor will be affected in the future by these changes in the nation's work force. Forward-looking report tells why.

... and many other timely, useful, important articles coming in

## Nation's Business





## Other firms save money by microfilming your records... how about you?

IT MAY COME as a surprise to you to learn that many of your business and personal records are now being photographed in Recordak microfilmers! Chances are your bank microfilms your checks . . . stores and suppliers microfilm your sales slips and orders . . . your oil company microfilms your charge tickets. So it goes!

The reason is simple! Taking pictures of items like these is a lot faster, more accurate and safer than copying them by hand. Also saves up to 99% in file space.

Makes sense, don't you think, to see how Recordak microfilming can save you dollars on even simple record-keeping jobs, like keeping track of incoming checks. Or on problem jobs, like getting bills out.

New RECORDAK Portable Microfilmer is ideal for even the smallest business. Compact, fully capable, it weighs only 24 lbs. You just feed items into it, and they're microfilmed (up to 90 a minute) and returned in sequence.

Recordak high-speed, automatic equipment also available for large-volume operations.



# **RECORDAK®**

(Subsidiary of Eastman Kodak Company)

originator of modern microfilming  
—now in its 33rd year

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415 Madison Ave., New York 17, N. Y.  
Send free booklet giving details on new  
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Company \_\_\_\_\_  
Street \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_



## Successful design must give close attention to what people are doing

tion, an outboard motor with boat and trailer—all bought on time payments.

The total recreational outlay is now close to \$41 billion. Several major segments, such as foreign travel, vacations, boating, gardening and photography, are well over the \$1 billion mark, and growing rapidly. Recreational facilities will be the most significant growth market in the next 20 years.

In short, future consumers will be more independent, in ideas as well as financially, more experienced, better informed of their alternatives, and more planful in the sense of having highly personal long-range objectives that guide their use of income, credit, leisure and resources.

### Design and development

The industrial designer will have a wealth of technological advances to draw on. The next decade will bring home devices using ultrasonics, refrigerators with no moving parts, and lighting systems without heated filaments or glowing gases.

But let the designer become too tempted by all these new fields and bring out something that people don't want and he's dead, all the leading practitioners agree.

"Today we must consider not only product obsolescence but attitude obsolescence as well," says Walter Margulies, of Lippincott & Margulies, industrial designers. "Not only do technological cycles change rapidly but living cycles as well. We live at a faster pace. We think at a faster pace. People want something new. But it must really be new—and vitally useful to them."

Never have designers had to give so much attention to what people are doing and what people want, says Donald Deskey, industrial designer, and this has to be tied in constantly with styling, packaging, pricing, available production facilities and distribution.

"People conceive of the designer as an esoteric fellow sitting dreamily in his chair, then jumping up with a new idea and running to his drawing board. As a matter of fact, the designer must get into financial and manufacturing factors, consider change-over problems. He must also

consider distribution, because distribution factors may influence the kind of package he designs. They may even determine whether a product is put on the drawing boards or not."

"The findings of both social scientist and engineer are visualized and interpreted by the industrial designer who, in effect, is the apex of this triangle," says Arthur N. BecVar, manager of industrial design for General Electric's Major Appliance Division. "The higher in the scale of innovation the designer goes the better, because the appliance industry's problem is to find something that will tempt the consumer away from other products and activities."

The designer must often forswear intriguing gadgets if they do not seem to fit user habits and desires. For example, Mr. BecVar designed and GE created a working model of a five-cubic-foot freezer and an electronic oven, connected by an automatic conveyor. This automatic system transfers frozen foods into the oven in a controlled time sequence. Microwaves accomplish quick, uniform thawing and cooking, to turn out a complete dinner. The mechanism could be set so that the housewife could put in the food in the morning, push the right buttons and then gad about all day, returning at dinner time to take the meal out of the oven. Or in the evening she could have the meal cooked in a half hour.

However, Mr. BecVar explains, the decision has been to delay putting the new wonder on the market, partly for price considerations but also because consumer research showed that the housewife—much as she wants to save time—still prefers to go through the creative cooking process herself.

Only a small percentage of today's new products are utterly new, says Mr. BecVar. He lists four areas of design or product innovation in order of their importance.

1. Basic new technology—such as practical applications of the thermoelectric principle.
2. Rearrangements of existing technology—such as separating oven and range.
3. New features—such as swing-

out or pull-out shelves or frost-free refrigerators.

4. Innovations for publicity purposes only.

Many of the things that come out in this last area, Mr. BecVar contends, "make sensational reading and perhaps tend to create a public image for the manufacturers but they don't help the retailer sell more merchandise."

### Advertising

Advertising agencies are becoming broader, more integrated and more diversified. Most agencies report they are getting more involved in all phases of the marketing function: sales promotion, market planning, test marketing, testing of products, public relations, marketing research, and so on. Says one agency executive:

"A major client now expects us to have a counterpart—and in the upper brackets at that—of every division head in its entire marketing organization. We're into everything these days, even sending out teams to train salesmen for client firms. This frees a client from maintaining a permanent sales training staff which might be idle part of the time. We can keep our staff busy by rotating squads from client to client."

The changing nature of consumer buying is forcing a new approach in advertising, says Edward Reynolds, director of marketing for the American Management Association.

"In today's discretionary buying," he says, "the advertising must sell a refrigerator in competition with a trip to Bermuda. The real purpose is to create a demand."

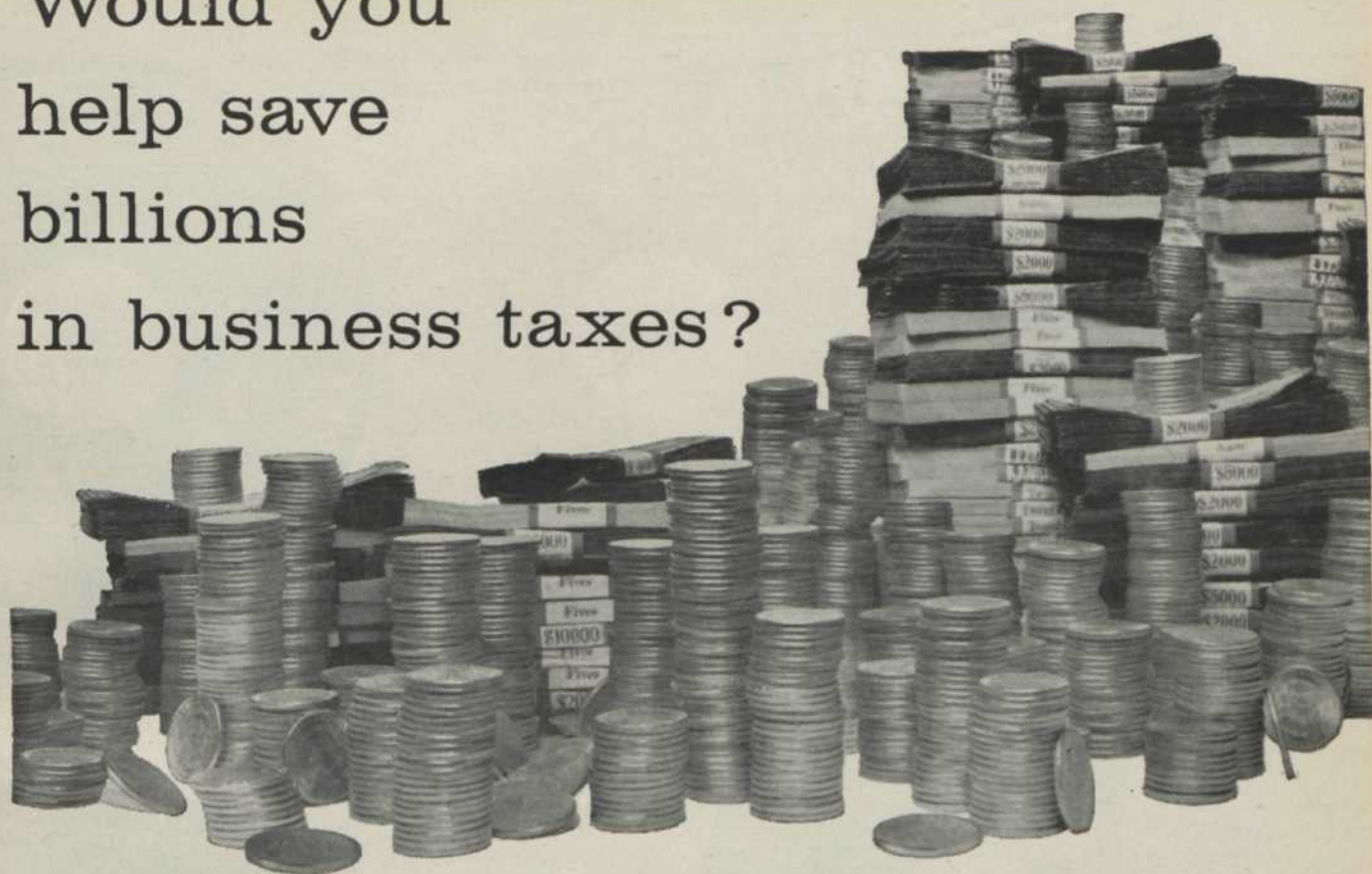
More funds are being put into research to determine the wants and needs of consumers in different regional areas, the motivation of people in various socio-economic levels, and the requirements of different age groups. The coming year will see a new emphasis in advertising—the growth of special creative departments to conceive selling messages directed specifically at teenagers, who by 1965 will number more than 24 million.

"The average buyer seems to be gaining sophistication regarding product and advertising claims," John Sargent explains. "The show-me attitude is becoming more common. The reasons are many. Among consumers, the average level of education is creeping up. Also, there has been a widespread circulation of publications critical of product and advertising claims. Debunking prod-

*(continued on page 50)*



# Would you help save billions in business taxes?



**More and more businessmen** today face the problems of competing with the federal government.

In civilian branches of government alone, there are some 19,000 enterprises that "compete" with the aid of tax exemptions and other unfair advantages.

*Every* business—yours included—feels the effects of the tax-spending programs that support government businesses—in rising costs and taxes and the march of inflation. In the same way, every business stands to benefit if unnecessary government spending is stopped.

## ONE BIG TAX BURDEN

One of the largest and most costly government business ventures is in electric light and power. This venture has swallowed well over \$5,000,000,000 in taxes so far—including roughly \$1,900,000,000 of business taxes.

And the promoters of this so-called "public power" are after another \$10,000,000,000!

## NO NEED FOR MORE FEDERAL POWER SPENDING

Spending \$10,000,000,000—or any number of billions—for more government power is quite unnecessary. All the low-price electricity the country may conceivably need can be supplied by the hundreds of independent electric companies and their millions of investors . . . and *without* depending on taxes.

## THE "NOBODY KNOWS" STRATEGY

The main reason federal "public power" promoters keep gaining ground is simply this: people don't know their own taxes pay most of the bill. And few realize the precedent—that if government can take over more and more of the electric business, it can take over any other business, or *all* business.

Facts and figures about government power spending, and its implications for business, are discussed in a newly published booklet, "How Federal Government Electricity Affects the Businessman." A free copy is yours for the asking, mailed promptly at no charge. Just send the coupon below.

## AMERICA'S INDEPENDENT ELECTRIC LIGHT AND POWER COMPANIES

### POWER COMPANIES

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*Please send me, without charge:*

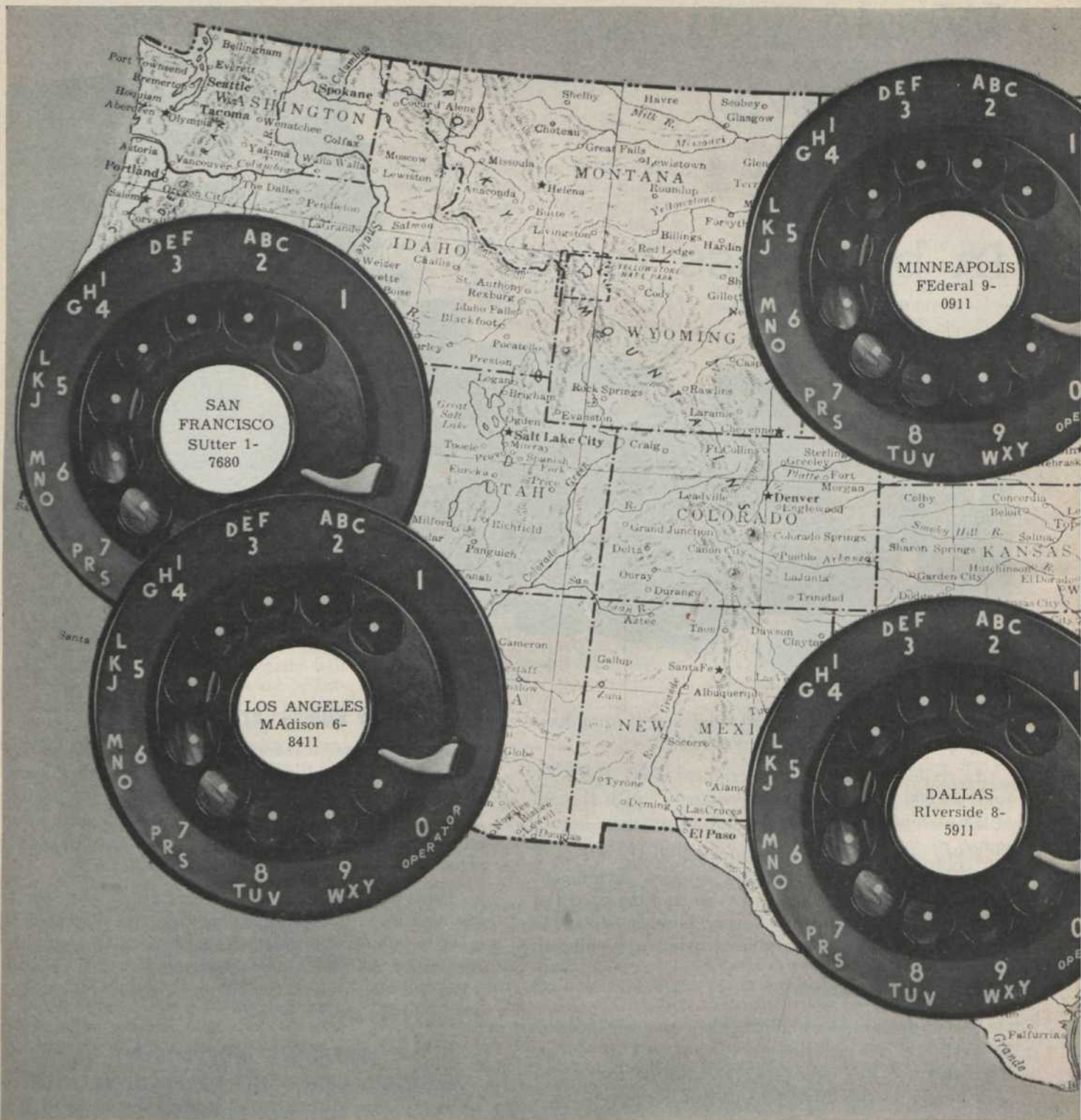
- ☐ "How Federal Government Electricity Affects the Businessman"
- ☐ Names of the companies that sponsor this advertisement

NAME \_\_\_\_\_  
(Please print)

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ ZONE \_\_\_\_\_ STATE \_\_\_\_\_





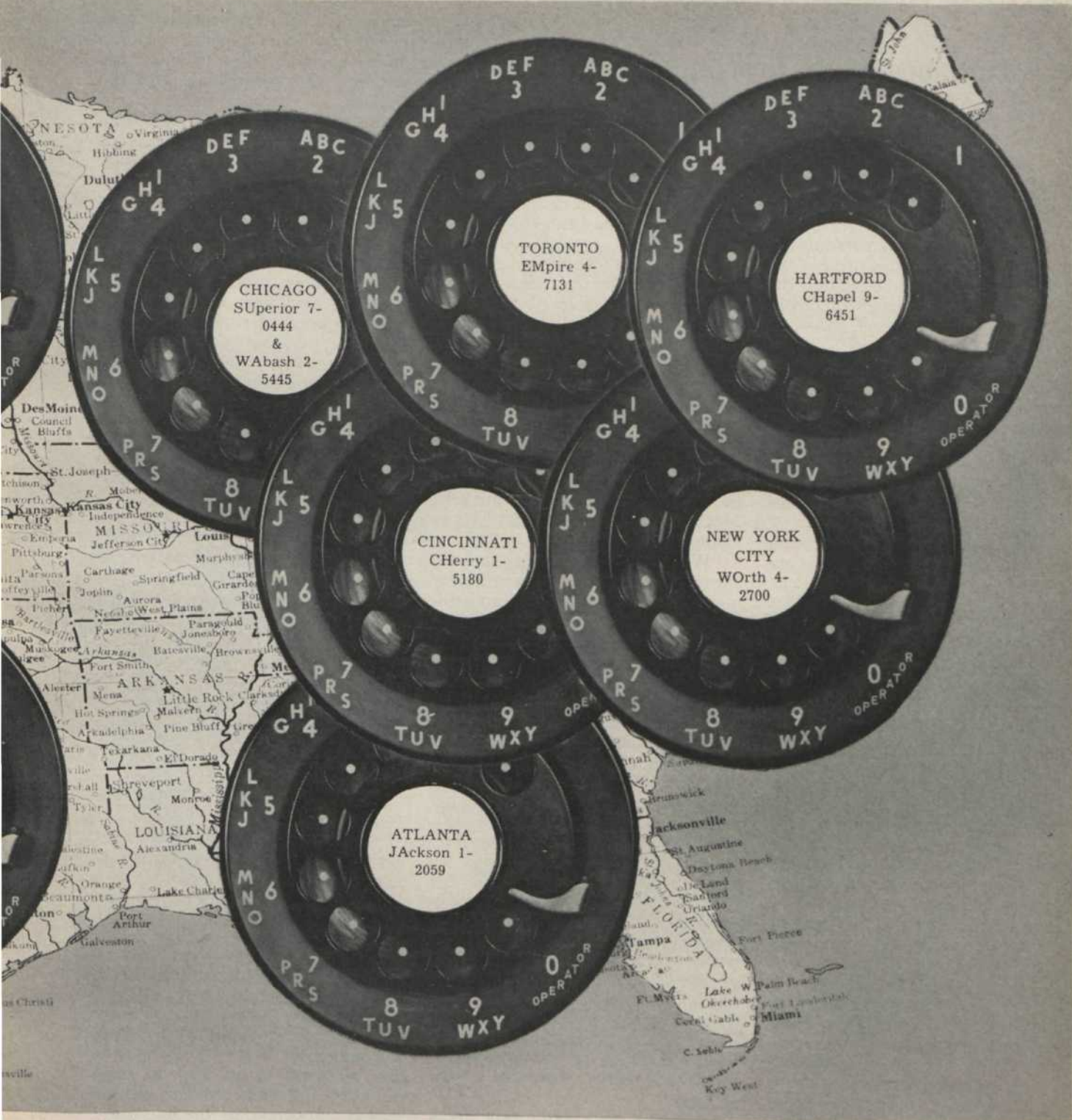
# “Home Office” service near to every

Chances are, you will never have the occasion to call one of these numbers. Yet, they play an extremely important role in Hartford's service to you through its 34,000 agents.

Should trouble occur in one of the far-flung outposts of your business operation—fire, theft, an accident to your representative traveling his rounds—you'll want help, fast!

These ten Hartford Departmental Offices which serve as “home offices” in their geographic areas are your guarantee of prompt attention. They supervise and supplement the activities of Hartford's network of 227 service offices and thousands of local agencies. When special problems arise, you can count on special help. The nearness of “home office” to service office





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eliminates time-consuming, cross-country referral. Result: you get action fast.

For particulars on Hartford Group services, call your Hartford Agent or insurance broker. Your Hartford Agent is listed in the Yellow Pages under "Hartford Insurance". Or look for him wherever you see the Stag trademark displayed.

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Hartford Fire Insurance Company  
1810 1960

## Fire Insurance Company GROUP

HARTFORD FIRE INSURANCE COMPANY HARTFORD ACCIDENT AND INDEMNITY COMPANY HARTFORD LIVESTOCK INSURANCE COMPANY CITIZENS INSURANCE COMPANY OF NEW JERSEY HARTFORD 15, CONN THE COLUMBIAN NATIONAL LIFE INSURANCE COMPANY, BOSTON, 12, MASS NEW YORK UNDERWRITERS INSURANCE COMPANY, NEW YORK 18, N. Y. TWIN CITY FIRE INSURANCE COMPANY, MINNEAPOLIS 2, MINN.



## All phases of marketing may be tested to avoid expense of a national failure

ucts and claims—justified or not—seems to have become something of a popular pastime.”

All of which puts a new burden on the advertiser who, as he approaches the consumer more directly, is forced to depend increasingly on the ad to move goods.

### Sales

The trend toward self-service selling has convinced many that the age of personal selling is past. To compensate for a steady falling off in floor merchandising and promotion at the retail level, some manufacturers have turned to floor sales training.

Others rely to a greater degree on preselling. But more and more are deciding to open their own outlets. The list of those who have successfully gone in for this type of operation is steadily growing.

Display merchandising, backed by preselling and promotion, will continue to make strides. Beyond this, the area of agreement shrinks rapidly.

One of those concerned over the changing role of the personal salesman is Mr. Reynolds. He says that a survey of 48 large companies indicates that opinion is in a state of flux on forthcoming developments in all phases of marketing, and particularly in sales.

“The consensus was that selling is becoming more and more automated,” he reports. “The big question seems to be: Do personal selling skills have the same bearing on the customer? Training programs have assumed that the personal aspect of selling is important. If personal selling is going out, 90 per cent of our sales training programs are obsolete—and we should change our ways.

“In technological areas, selling is done on the basis of specifications, bulletins and packages of engineering data. Personal salesmanship plays a smaller part here. In the supermarket area, the salesman never sees the buying committee member who makes the purchase. He merely makes a product-line presentation. He never does get to use his personality. Will the salesman of tomorrow be a little dried-up egghead type?

“In the tire division of U. S. Rubber, the salesman is a business counselor. The more goods he moves off the shelf, the more goods he gets credit for. But he never actually sells them. The distributor more than likely orders by mail from a prepared catalog-bulletin presentation.”

The type of salesman needed depends on the type of product and market, both of which are growing more differentiated. Where circumstances allow, however, the prevailing opinion among marketing-minded chief executives seems to be that expressed by Thomas B. McCabe, president of Scott Paper Company. He says:

“We are now developing—not salesmen as such but marketing men—men who understand and employ all the factors of the marketing mix in their presentation.”

Such marketing men are scarce and promise to continue to be. The answer to this was pointed out by NATION'S BUSINESS in September, 1959, in an article entitled: “Grow Your Own Marketing Talent.” In brief, this answer is a long-term program to develop salesmen as well as other marketing men—talent which can move up the line.

### Market studies

Test marketing is more widely used than ever because of the increased costs of putting products on the national market and because of the high costs of failure. The test marketing measures the effectiveness of the advertising, promotion, price, package and other elements as much as the product itself. Some market tests last a year or more.

One new and promising technique for finding out what people want—directly from the people themselves—has been developed by Stewart, Dougall & Associates, marketing consultants. This is a type of observational research in which trained marketing researchers watch and talk to people at the point of sale. Observers interview shoppers who are contemplating goods in department store windows; for example, a display which shows shoes, girdles, hosiery or appliances. They follow this up by observing the

customers' reactions at the sales counter to the products, and then questioning them in detail as to the effectiveness of the display, the package, the advertising, and the product.

Observational research has been done before by salesmen or by product managers on a casual basis. The new approach is a scientific, controlled experiment carried on by trained researchers in many stores at different times of the day, talking with customers, then tabulating and analyzing results. This type of research has been carried on in supermarkets, department, retail, jewelry, drug, and shoe stores.

“The most overlooked and least studied part of the marketing process has been the actual point of sale,” says Arthur White, of Stewart, Dougall & Associates, “and yet it's here that investments in advertising, display, sales and packaging come to a focus.”

### Changing pattern of distribution

Some predict the old pattern in distribution will not much longer be visible. Many manufacturers are setting up factory-operated distribution centers. This shift accomplishes four things when administered properly.

- ▶ It cuts distribution costs.
- ▶ It expedites deliveries.
- ▶ It provides better and more economical inventory control.
- ▶ It improves service to the consumer.

Marketing specialists agree that a widespread transformation is taking place.

“Factory-owned warehouses and distribution outlets are providing a broad mix of products close to the market,” says Mr. Sargent. “Instead of a jobber or dealer ordering four weeks ahead and taking a whole car of refrigerators, he can now get a car of mixed appliances. Today, it's generally a matter of getting the products to an area in large quantity and then breaking up the lot. It happened in the big-ticket items. Now it's happening in the smaller products.”

“The manufacturer is being pressed into a greater and greater degree of service,” says Mr. Reynolds. “This is partly because the product is becoming more complex, which makes service more demanding and more costly. Who is to make up for this? The jobber and the distributor are not always equipped to do it. So it's up to the manufacturer. Also, there are geographical factors. If you buy a tire





## Volkswagen, the truck that picks up more for less

The Volkswagen Pick-up makes friends because it makes sense. Although it's almost 3 feet shorter than standard half-ton pick-ups, it carries over 75% more (1,764 lbs.) and costs about half as much to operate.

You get 45 square feet of loading space, plus 23 cubic feet in a closed, lockable compartment between the axles. Many Volkswagen owners find this locker an admirable storage place for tools and other valuables.

A unique feature of the VW Pick-up is its hinged sides that drop down for easier loading. With sides down, you have a platform truck. By adding stakes and a fitted tarpaulin (optional at extra cost), you convert it to an all-weather van.

The VW Pick-up costs \$1,885\*. Its gas mileage is generally about twice that of standard half-ton pick-ups. Air-cooled VW engines need no oil between changes and no anti-freeze at

all. With half the usual unladen weight there's half the usual tire wear. You also save on service, depreciation and, in many states, insurance and license fees. Your authorized VW dealer has actual cost reports furnished by VW owners. You'll be interested in what these reports have to say.

*\*Suggested retail price, East Coast Port of Entry.*

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## FIGHT FOR SALES

continued

in Des Moines, the distributor in Bronxville doesn't take the service responsibility to heart. The key word in distribution today is 'streamline,' says George Butler, of the management consulting firm, St. Thomas Associates. "Marketers are recognizing the value of time-saving and better product acceptance gained by going to their customers by the most direct route.

"The pros and cons of channels of distribution used to be threshed out on the basis of costs alone. Today, cost is just one of many criteria. Speed, consumer convenience, communicating ability to and from the consumer, integrity, selling, advertising effectiveness and ability to service are all likely to overshadow pure cost in determining the best channels."

Hence, says Mr. Butler, the manufacturers of automobile seat covers, mufflers and other items which were formerly classified as "other automotive parts and accessories" are building and managing their own retail sales, installation and service outlets despite the fact that traditional distribution channels already exist.

One example is Midas, Inc., which makes and markets automobile mufflers. Midas is not a pat example of a factory-owned distribution system but it does represent something that is new and different.

Three hundred and fifty Midas shops are currently operating and each promises to install a new muffler in less than 15 minutes.

The shops are operated on franchise with local residents.

"We believe in individual enterprise," says Gordon Sherman, president of Midas, Inc., "and are not a factory-owned chain. But we certainly have broken away from the garage service pattern to set up a single-brand image. We try to maintain a high quality atmosphere where the customer gets fast, cheerful service from a specialist."

Gordon Lippincott, of Lippincott & Margulies, says, "The marketing burden today is on the manufacturer and the tendency is to go directly to the home. We already have the facilities for this. Data processing is here. Television is here. Universal credit cards are coming along to facilitate the process. It will soon be just a matter of hooking up the black boxes.

"Here is how it might work:

"Say a housewife sees an ad for

a percolator in a national magazine. She telephones the manufacturer or outlet and asks to have a five-minute demonstrator film put on the television set. The film is dialed in by telephone and, after the housewife decides, she simply dials back and orders. The outlet teletypes the factory where the percolator is made to order. This gives the customer a styling option and minimizes inventory cost. When ready, the percolator is air-expressed to the customer and charged on the universal credit card."

Such developments, says Mr. Lippincott, do not necessarily mean the end of the individual retailer, because they would apply mainly to high-traffic, universally used items. He feels there will be a radical decrease in the number of brand names in such lines as food, soft drinks and small appliances. A company has to be big to be in this field. However, he thinks there is a rosy future for the small, independent entrepreneur, especially the alert specialty shop operator—if he is sharp on style, innovation and merchandising ideas.

"Along these lines, I think the one-stop shopping concept has just

about run its course," he says. "The costs are too high. People have to walk too far. And there is a confusing multiplicity of products. On the other hand, people love specialty shops. If they have a candy image, they like to go to a specialty shop which has any type of candy they want. We're designing supermarkets now to give the impression of a lot of specialty shops under one roof—a store within a store—selling flowers, bake goods, housewares and the like."

This, then, is the fast-shifting marketing picture. Its essence is change. The best asset of a good marketing man is alertness to the change that is taking place. His best gift is an ability to project that change into the future. His final success will depend on his willingness to adapt to the change that takes place there.

—PHILIP GUSTAFSON

REPRINTS of "Fight for Sales Changes Marketing Methods" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H St., N. W., Washington 6, D. C. Please enclose remittance.

## TAX CUT OUTLOOK *continued from page 33*

lation of new capital out of current income would create more businesses and more jobs; living standards could advance more rapidly and our economic system could reach a high degree of modern efficiency to compete on a global basis.

There are several other reasons why the Herlong-Baker legislation now seems a better bet for passage than at any time in the past.

Next year will not be an election year. Congress will be more likely to act according to need rather than according to what seems to have political appeal. Representative Herlong told *NATION'S BUSINESS*, "Next year is the year for passage. Sound thinking will replace election fever. We'll definitely speed up our drive to get action. The testimony in hearings last fall gave a distinct impression of support for our bills and, if we have a \$3 billion surplus, I believe we'll lower the rates and I hope it will be a forward scheduling over the next five years."

Representative Baker also is optimistic. "I believe the principle in our bills will be enacted," he says. "I find support in our committee and on the floor of the House growing rapidly. The mail also is heavily

in favor of it. It's surprising there are so few letters against it."

He points out that one of the most important features of the bill is the provision reducing the useful life of depreciable property. "One of the deterrents now to full prosperity is the antiquated machinery in some industries and the fact that it costs so much to replace."

The ranking Republican member of the Ways and Means Committee, Rep. Noah Mason of Illinois, predicts flatly that his committee will propose a "drastic revision" of the tax laws more sweeping than the big revenue revision that took place in 1954. He says it will call for a gradual lowering of tax rates over a five-year period along the lines of the Herlong-Baker legislation.

Mr. Mason believes the outlines of the prospective tax bill will be drawn in executive sessions this fall. He said he has been getting lots of mail complaining about the oppressiveness of tax rates. He is impressed by the fact that this reaction has come at a time when there is no real tax controversy or live tax program in the headlines.

In addition to the planned push by supporters of the Herlong-Baker



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There are many attractive locations along the C&O 5100-mile system serving the industrial heart of the United States and Canada. A few are listed on the reverse side.

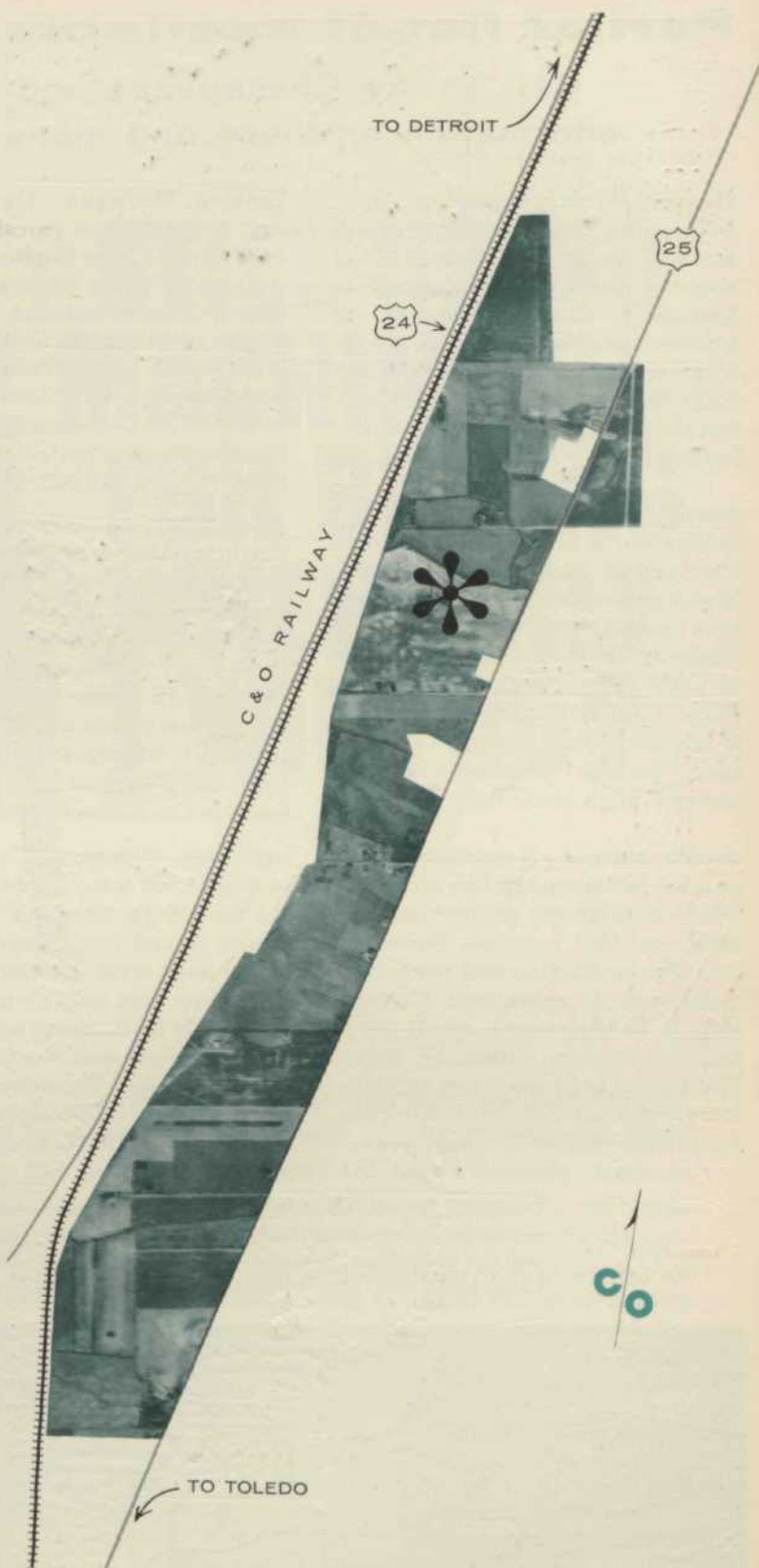
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**Transportation** provided by Chesapeake and Ohio Railway mainline with its Ottawa freight yard adjoining the property; U. S. Highway 25 is the eastern boundary of the property, with U. S. 24 and the new Detroit-Toledo Expressway close by.

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**Labor pool** is adequate, skilled workers especially, in this corridor of diversified industry.



## Chesapeake and Ohio Railway

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**Newport News — Hampton, Va.** — In Copeland Industrial Park you will find any size site you want, offering economy and speed in construction because no grading is needed; all utilities installed. Power and gas by Virginia Electric & Power Co. On C&O Railway, and linked to Hampton Roads, one of America's busiest harbors. Excellent labor market.

**South Central Ohio** — The C&O Scippo site is on south outskirts of Circleville, close to the duPont Mylar polyester film plant. This 54-acre property fronts on 4-lane U. S. Highway 23. Double-track mainline of C&O at rear. Water from Scioto River aquifers. Utilities: Columbus & Southern Ohio Electric Co.; The Ohio Fuel Gas Company (Columbia system). High-grade fuels via C&O.

**Griffith, Indiana** — A residential community, but served by five railroads. Three contiguous properties, 153 acres, on C&O mainline. Suited to complete production and marketing operations; 33 miles from Chicago loop. U. S. Highways 6, 30, 41 nearby; six airports within 15 miles. Water from Lake Michigan, or wells. Electricity and gas: Northern Indiana Public Service Co.

**Lansing, Michigan** — De Witt Rd. site: a fine 12-acre parcel in northwest Lansing near Capital City Airport, on C&O's Chicago-Grand Rapids-Detroit mainline. Fronts on Michigan 174; 2,000 feet from U. S. Highway 16. All utilities at hand; firehouse close by. Electricity: municipal. Gas: Consumers Power Co. Excellent worker potential from area labor force of 112,000.

**Marion, Indiana** — C&O invites location in level 369-acre property, zoned for heavy industry, with all utilities available. On mainline, Chicago to Cincinnati; reciprocal switching with three other railroads. Close to Ind. Highway 18. Dana Corp. and General Motors plants nearby. Utilities: Indiana & Michigan Electric Company (AEP system); Central Indiana Gas Co. (Consolidated affiliate).

**Ludington, Michigan** — This thriving port of 11,000 is the Michigan terminal for C&O's translake trainferry service to and from Wisconsin port connections with Western carriers. Back from port railway has 87-acre site, nearly level, except small dunes. Ideal for Northwest-Northeast business. Utilities: Consumers Power Co.; Michigan Consolidated Gas Co. Close to U. S. Highways 31 and 10.

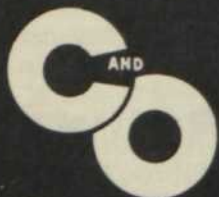
**Michigan City, Indiana** — Two nearly level parcels of 43 acres and 22 acres on C&O's Chicago-Detroit-Buffalo mainline. Fifty-eight miles from Chicago loop. Both sites front on Indiana 212, a 4-lane road linking U. S. Highways 12 and 20. Now in city: gas, water, sewer, when needed. Power and gas: Northern Indiana Public Service Co. Also adjoining properties.

**Richmond, Virginia** — Choice level sites in the 200-acre Airport Industrial District, 5 miles from downtown Richmond. Adjacent to Byrd Field, city's airport. All utilities. Lead track to C&O's fast mainline, Newport News to Chicago. District is already distribution center for Ford, GM, Allis-Chalmers. Electricity: Virginia Electric & Power Co.

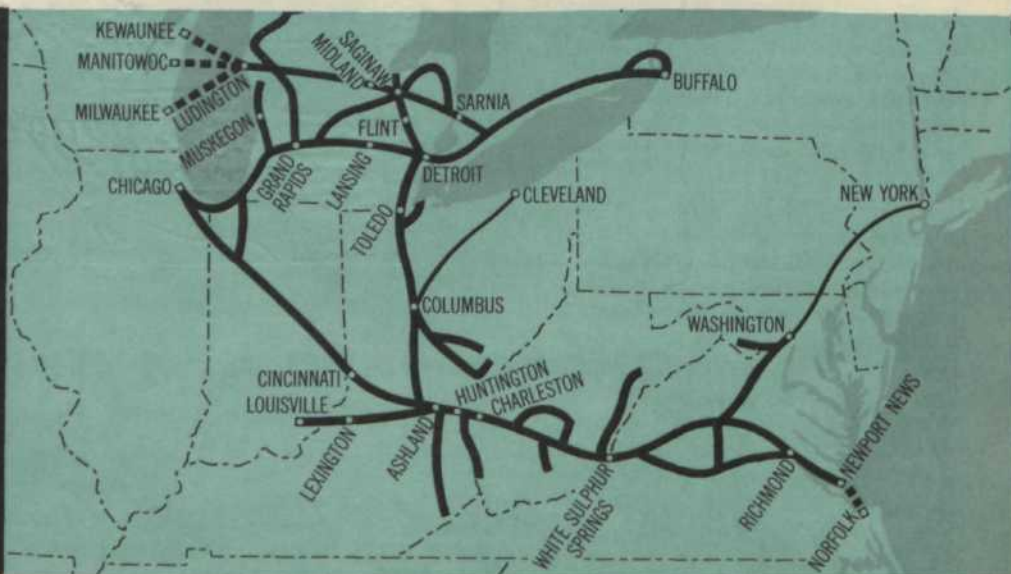
**"Chemical Valley," West Virginia** — The 43-acre Lewis site, clear and level, 13 miles from Charleston, the capital. On C&O mainline and canalized Kanawha River; close to U. S. 60. High-grade fuel from Middle Appalachian fields. All the water you can use. Utilities: Appalachian Power Company (AEP system); United Fuel Gas Co. (Columbia system); West Virginia Water Service Co. Ample labor. Other sites nearby.

Complete industrial surveys of these and other sites along The Chessie Route are available to interested companies. Inquiries are handled in complete confidence and without obligation. Address: Wayne C. Fletcher, Director of Industrial Development, Chesapeake and Ohio Railway, Huntington, West Virginia. Telephone: JACkson 3-8573.

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Chessie route



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## TAX CUT OUTLOOK

proposal, three other important elements enter the picture:

One, the public has shown its support of the Eisenhower Administration's position against big, new spending programs. It has made its economy views clear to each of the past two Congresses, when the spending bills began piling up.

Herlong-Baker supporters believe this conservative attitude toward fiscal affairs is the dominant feeling around the country and that people would give enthusiastic support to the idea of using revenue gains for tax reduction rather than expanded federal services and bureaus.

Two, most economic forecasters think the economic indicators will flatten out next year. They don't see any real recession, but a definite sluggishness in business. The Herlong-Baker sponsors believe the reductions proposed in their measure would be the appropriate remedy for faltering business. The legislation could inject new life into the economy and bolster confidence as well as savings for investment.


Three, Ways and Means members unofficially are much less optimistic now than they were several months ago about the possibilities of tax reform through base broadening. When the tax reform study began, the declared aim was to search out and eliminate some of the provisions of the tax law that gave special privileges to taxpayers in the form of lower rates, deductions, credits or exclusions. This so-called erosion of the tax base costs Uncle Sam billions in revenue, the tax writers felt. Now, as one influential member puts it: "It will be a lot harder than we ever dreamed to repeal these provisions."

One reason is that no group with preferential tax treatment wants to give it up. Another reason is that our complex economic system often requires different treatment for different types of income.

At any rate, it is not likely that many of the existing provisions will be repealed to broaden the base and bring in enough revenue for general tax reduction. So, since the lion's share of revenue for a future tax-cut program would probably have to come from future economic growth, the Herlong-Baker idea seems most logical to a growing number of lawmakers: Earmark revenues from growth for tax reduction, and this will stimulate more growth for future tax cuts.

END

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## BUSINESSMEN VIEW NEXT TWELVE MONTHS

Sales, price, job, and spending trends  
are forecast in Nation's Business poll

"WE'LL HAVE GOOD TIMES in the next 12 months, but there will not be a boom."

This comment by the chief executive of a Midwestern manufacturing concern is representative of replies to the fourth annual NATION'S BUSINESS mid-year survey of the business outlook.

Keyed to the coming 12 months, the survey probed the expectations, problems, worries and plans of a cross section of business and industrial leaders in major companies throughout the nation. Almost half of the more than 200 executives participating in the survey are presidents.

What do these men foresee for the period from now through mid-1961?

- ▶ Seventy-eight per cent expect their sales to rise.
- ▶ Fifty-one per cent look for an increase in business generally.
- ▶ Only five per cent anticipate a business decline in the next year and only eight per cent say they can discern a recession beyond the middle of 1961.

In short, businessmen are optimistic, but not exuberant, about the potentialities of the next 12 to 18 months. They feel that the economy is soundly geared for a slight to moderate rise. They do

not expect the uptrend to be uniform; for some industries, some companies, there may even be serious dips. They characterize over-all business as being in rather delicate balance with the scales currently weighted in favor of confidence and further growth.

Among the plus factors they identify: A strong floor of consumer and business spending, continued population growth and the needs it generates, introduction of new products, more dynamic selling efforts and early corrections of difficulties in several key sectors of the nation's economy.

The minus factors in the outlook are pointed up by answers to a question which asked the executives to name their greatest single worry about the 12 months ahead.

Steadily increasing costs, fed by union wage demands, is by far the greatest cause of worry among the executives surveyed.

Other "worries," in the order of their rating, include government spending policies (blamed for stimulating inflation), government regulation of and competition with business, increasingly sharp com-



## WHAT BUSINESSMEN EXPECT

### **SALES**

**78%** say they'll rise

### **EMPLOYMENT**

**62%** report it will hold even

### **LABOR TROUBLE**

**86%** see none in sight

### **PRICE HIKES**

**50%** say none now planned

### **COSTS**

**85%** predict they'll go higher

### **TAXES**

**73%** charge they're blocking growth



## NEXT 12 MONTHS

*continued*

petition from lower-cost foreign producers, the tense international situation, uncertainties in general business, and the possibility that the November presidential election will catapult to power men whose policies will prove injurious to the business climate.

Here's a more detailed look at the expectations of the businessmen who took part in the survey:

### Sales

These executives were asked: "Will sales by your company rise, decline or stay about the same over the next 12 months?"

Seventy-eight per cent said their sales would rise. Twenty per cent predicted sales of about the present rate. Two per cent forecast a decline in their sales.

Executives predicting a decline reported from a number of industries, including several which are feeling the pinch of foreign imports. These include hardware manufacturing, wire-making, synthetic rubber and chemicals, paper conversion and a manufacturer of fuel-burning and stationary generating equipment.

A sales rise was forecast by managers in diversified fields of business activity—food distribution, aircraft and electronics, apparel-making and distribution, steel, instruments, newspaper publishing, oil, rails, insurance, business machines, variety retailing, and others.

"About the same" was the judgment of businessmen responding from two railroads, an automobile parts manufacturing concern, a meat-packing plant, an electric storage battery manufacturer, a textile plant, a men's clothing business and a wire-making establishment.

### General business

Fifty-one per cent of the executives said they expect the next 12 months to bring an increase in general business. Forty-four per cent said they look for little change, and five per cent foresee a decline.

Comments on the question of general business activity varied.

"The underlying strength in consumer spending and business capital investment appears sufficient to prevent the inventory adjustment currently under way from developing into a recession," declared a director of a New York-based oil company.

"We believe the total economy

will be reasonably buoyant," asserted the assistant treasurer of a Chicago manufacturing concern.

Rapid regional growth accounts for optimism in some instances. The president of a Dallas, Tex., manufacturing company, in forecasting improving business conditions, credits "growth in the Southwest area in which we operate." The vice president and treasurer of a Los Angeles retailing outlet says his optimism is based on the rapid growth of that community.

In instances where pessimism flavored the replies, such factors as "tight money," foreign competition, and declines in new orders were cited.

Summary: General optimism—selective caution.

### Beyond mid-1961

You've probably heard a lot of assessments by economists of what's in store for business after the middle of next year. Some of these evaluations have been conflicting. Here is how businessmen see it:

Forty-eight per cent of them foresee growth in the period beyond mid-1961.

Twenty-six per cent say they "can't see" that far ahead; that they simply don't know.

Seventeen per cent anticipate a plateau—business at a high, stable rate, but no strong upward movement.

Nine per cent look for a recession or a plateau.

### Employment

The survey participants were asked if they expect to increase employment in their companies in the next 12 months.

Sixty-two per cent reported that they expect their employment to remain at about the current level.

Thirty-one per cent expect to hire more people.

Seven per cent expect to decrease the size of their work force.

A related question asked if automation or mechanization would force any layoffs in the coming 12 months. Eighty-eight per cent said no layoffs would be required because of automation or mechanization; 12 per cent indicated that layoffs would be necessitated as a result of such efficiency improvements. In many instances, efforts will be made to retrain affected employees.

Sample comments of executives whose companies plan layoffs:

"We plan to eliminate marginal workers. However, most of those replaced by automation will be above



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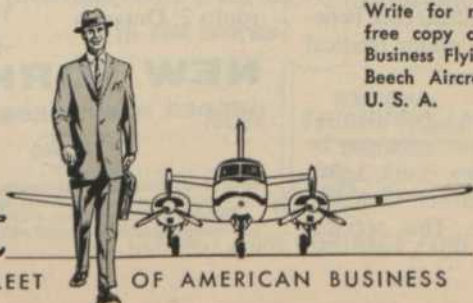
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## NEXT 12 MONTHS

*continued*

marginal. Here we will try to utilize to upgrade our total labor force"—vice president and controller, manufacturing, Boston.

"Any employees displaced by automation will be absorbed in other activities"—president, insurance firm, Seattle, Wash.

"Expect normal turnover to take care of reduction by reason of automation"—senior vice president, banking, Los Angeles.

In many companies where technological displacement is expected, management's plan for coping with the problem is simply not to replace employees lost through normal attrition—women leaving to be married etc.

This normal turnover, plus relocation and retraining where possible, seem to be the principal tools companies are using to deal with personnel cutbacks growing out of technological change.

### **Labor relations**

Fourteen per cent of those taking part expect to have trouble with organized labor in the next 12 months.

Eighty-six per cent expect no labor trouble.

Companies with labor contracts that will be reopened sometime in the next 12 months tended to expect trouble. Those without contracts or with contracts that still have more than a year to run tend to expect labor peace. Typical of this latter condition was the comment of the president and board chairman of a Kokomo, Ind., manufacturing company:

"As most companies within the steel industry have labor contracts extending until July 1, 1962, I look for no labor trouble in our industry."

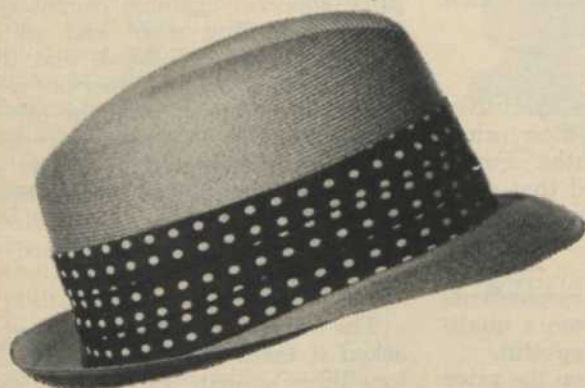
By contrast, the president of a manufacturing company in Chicopee, Mass., said simply: "Labor is getting completely out of hand."

Answers from rail transportation, where important negotiations are under way involving management charges of featherbedding, reflected apprehension about labor trouble. "We are in the midst of wage and rules changes," commented the president of a Midwestern railroad. "The negotiations will be protracted and may bring on trouble." A Chicago railroad president wrote: "Negotiations and proceedings under the Railway Labor Act are now being conducted between the railroads and the labor organizations and it



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**Media Man:** Cuts all the red tape. Now we can place selling advertising in over 4,000 Yellow Pages directories all over the country through a single office—with *one* contract.

**ACCT. SUPV.** And we can put real sell in them?

**Media Man:** Sure. Tie right in with our national campaign. Get to the "Ready-to-Buys"—the people who are about to purchase a product like ours. Tell them *why* to buy as well as *where*.

**ACCT. SUPV.** But what about our tricky selected markets?

**Media Man:** That's just it. We can buy any combination of Yellow Pages directories to match our geographical marketing pattern.

**ACCT. SUPV.** And how do we get billed?

**Media Man:** Just one bill—monthly.

**ACCT. SUPV.** One thing more—what about commission?

**Media Man:** Positively!

**ACCT. SUPV.** I'm convinced. Let's put it in the works!



ONE CONTACT / ONE CONTRACT / ONE MONTHLY BILL



## A large majority of businesses will introduce new products or services

is hoped that the issues will be resolved amicably."

A strike by railroad unions would affect other industries depending on rail shipments. Some of the replies mentioned this.

Numerous replies called attention to the insistent pressure which union wage demands place on the costs of doing business. Keeping wages in alignment with productivity appears to be a major management concern.

### **New products**

Seventy-three per cent of the participants said they plan to introduce new products or services in the next 12 months. Sales objectives seem to be closely tied to these intentions and, for many companies, the months immediately ahead will be crucial test periods for products researched and developed over recent years.

Twenty-seven per cent indicated they have no plans to introduce new products or services in the 12-month period ahead.

An interesting sidelight of responses to this question is that a large number of executives remarked that new product introduction is a continuing process with their companies . . . "a continuing way of life," as one official expressed it. (See "Fight For Sales Changes Marketing Methods," page 38.)

Here are some typical statements:

"We feel we must introduce (new products) regularly"—manufacturing president, Lancaster, Pa.

"Constantly working on new specialty steels"—manufacturing president, Coatesville, Pa.

"Planning new commercial products (formerly 100 per cent defense)"—vice president, manufacturing, San Diego, Calif.

### **Business spending**

Here, too, there is evidence of continued brisk activity by the nation's leading businesses. The question was one with four parts:

"Do you plan to step up your rate of spending for, 1, new products or services, 2, improvements in plant or products, 3, expansion of productive capacity, 4, research and development?"

Here's how the answers lined up:

Fifty-eight per cent said they would step up their spending for new products or services.

Sixty-three per cent said they would spend more for improvements in plant or products.

Fifty-six per cent said they would spend more for expanding productive capacity.

Sixty-four per cent said they would step up their rate of spending for research and development.

### **Credit availability**

Ninety-four per cent do not expect credit availability to be a problem for their companies in the next 12 months.

Six per cent indicated that credit availability would hamper their operations.

### **Prices—up or down?**

Fifty per cent of the executives do not expect to raise their prices in the coming 12 months. Forty-seven per cent indicated that price hikes would be necessary, either on products they make or on services which they sell.

Three per cent of the respondents split their answer between a qualified "yes and no" or "doubtful."

What do the answers on the price outlook mean?

Those companies which expect to boost prices were almost unanimous in blaming steady increases in their own labor and materials costs for this prospect.

"How can we avoid it?" one executive asked. "Labor and materials increase!"

A railroad president pointed out that labor costs, constantly moving higher in his industry, already are more than 50 per cent of his company's revenues. A number of businessmen indicated a need to raise prices, but said they were limited in this regard by what their competitors might or might not do. Significantly, a number of key manufacturing executives expect to raise prices as a result of the upward adjustment in steel wages slated for late this year. "It will be difficult to transmit increases in prices in the present competitive situation," one manufacturing executive noted.

The results of the survey show

that companies expecting to raise their price structure include firms in retailing, manufacturing, public utilities, insurance, banking, and other fields. Similarly, companies reporting that they do not plan to raise their prices cover a broad portion of the business spectrum—retailing-wholesaling, manufacturing, transportation, insurance, banking, etc.

Categorical answering of the question was difficult for some executives because their companies have a diversified product line—prices of some items may go up, while others hold steady or even decrease.

### **Costs**

A question asked: "Do you expect your over-all costs to rise in the next 12 months?"

Eighty-five per cent answered "Yes."

Fifteen per cent said "No."

### **Profit outlook**

Running through many of the comments was the theme of a cost-price squeeze; business caught between mounting wage and materials costs, on one hand, and the dilemma of how to hammer out reasonable profit returns on the other.

Despite this, 81 per cent said they do not expect their profits in the next 12 months to be less than they were in the past 12. Nineteen per cent expect a profit decline.

### **Taxes**

The survey participants were asked if taxes are restricting their long-term growth rates. Seventy-three per cent said "Yes," and 27 per cent "No."

Complaints about the restrictive effects of the federal tax structure were numerous in comments elsewhere in the survey.

### **Business and politics**

Forty-eight per cent of the executives reported their companies have programs for encouraging employee participation in politics. Fifty-two per cent said they have no such programs.

Most replies to the question on encouragement of political participation by employees indicate that practical political programs are still in the experimental stage in many companies, but that interest in such programs is steadily growing.

"Have just initiated a comprehensive program and this will be expanded as we gain knowledge of proper programs and approaches," observed a New York manufacturer. "Ours is more of a policy of en-



couragement than a formal program," commented a Wilmington, Del., public relations executive. Several respondents mentioned the fact that their organizations have employed the U. S. Chamber of Commerce "Action Course in Practical Politics" to train their people for a more active political role.

#### Foreign ventures

A question asked: "If you are not now engaged in foreign business, do you plan any foreign ventures, agreements or trade for the near future?"

Seventeen executives answered "Yes." Fifty-five answered "No."

Many executives gave a qualified response, indicating that such moves were possible—were under preliminary consideration. A sizable percentage explained in written comments that they are already engaged in foreign trade to some degree, and plan to go further in.

"We will expand our activities in foreign field by increases in plant capacity, stepped-up sales programs, and marketing agreements," commented a director of "forward planning" for a Port Chester, N. Y., manufacturing company.

"Expect to enlarge our worldwide distribution," replied a vice president of a California food company. "We are continually exploring foreign countries as a source of supply as well as a market for our products, in areas which offer geographical and economic advantages combined with political stability."

#### Biggest company problems

Answers here were wide-ranging—from mentions of "the matter of increasing sales in more competitive situations" to "finding good people to promote."

Most often mentioned were problems relating to control of costs. In this connection, many corporate officers stressed the need for better methods of cost reduction. Other problems which received frequent mention included intensified competition, both from domestic and foreign sources; the need for more effective sales efforts; maintaining healthy profit margins; the need for achieving higher rates of productivity, and problems concerning manpower and personnel.

A St. Petersburg, Fla., utility president, said: "Keeping the government out of my business."

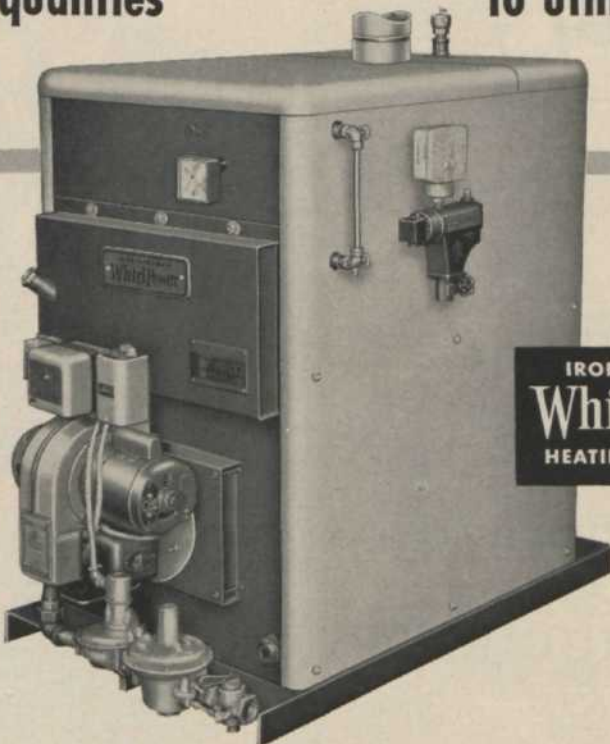
#### Roadblocks to long-term growth

As in previous NATION'S BUSINESS surveys of business expectations, this survey asked the partici-

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## NEXT 12 MONTHS

*continued*

pating executives to name the principal roadblocks they see to long-term economic growth.

A Louisville, Ky., utility president answered with four words—"Cremation by preferential taxation."

His pungent comment was representative of a majority of answers which labeled taxes as the greatest impediment to long-term business growth.

The tax complaints covered the full scope—from federal taxes to state and local taxes. But the federal tax structure came in for the hottest criticism. In many instances complaints about high, risk-discouraging taxes were coupled with complaints about the "excessive" power of labor unions and the relentless pressure which unions exert on wage costs.

A businessman in Findlay, O., wrote: "Unrealistic approach to income taxes, depreciation rates, etc., plus wage increases exceeding productivity improvements."

"Throttling income tax rates which discourage investment, and the possibility [we'll get] radical political and social philosophy," commented a Baltimore business executive.

Government regulation, government spending, and "continued harassment [of business] by government agencies and congressional committees were often cited as major roadblocks to growth. Other roadblocks: inflation, the unstable international situation, foreign competition, labor problems, tight credit, and man-hour productivity.

The vice president and treasurer of a Bridgeport, Conn., manufacturing concern observed: "We're pricing ourselves out of world markets. The American worker is looking for higher wages, but purchases foreign cars and other products."

The NATION'S BUSINESS outlook questionnaire was mailed to executives in companies representing the major divisions of business and industry—manufacturing, retailing, wholesaling, banking, insurance, transportation, communication, public utilities, service lines.

Executives answering the four-page questionnaire included 116 presidents, six board chairmen, 56 vice presidents, 12 assistants to executive officers, five treasurers, three secretaries, six public relations officers, nine department managers, and others.

END



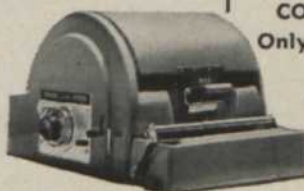


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# Make the most of your PROMOTION

Don't let the problems caused by advancement slow you down

A DISTRICT MANAGER of a large manufacturing corporation was promoted to a staff job, newly created in the firm's main office, and told to write his own ticket in getting the work under way.

Within a year the man had a nervous breakdown. A hard-driving line executive, he had functioned at peak efficiency in a post where the work was clearly defined and easy to get his hands on. He found himself completely at sea in the vague boundaries and duties of his new job.

Adding to his mental strain was a sharp reduction in personal prestige. Before promotion he had been his company's top man in his area. Afterward he was merely one of a number of executives in the main office.

Once he got back on his feet, he was returned to his former post where he again satisfied the company and himself by doing an outstanding job.

Few promotions lead to breakdowns. But nearly all of the estimated 1.5 million men and women whom American companies will promote this year will find that the change in jobs presents unexpected problems. Their ability to cope with these problems will be an important factor in both their future success and future happiness.

Personnel officers and industrial psychologists say that recognizing these problems and being prepared for them constitute a long step toward their solution. They are common to most people who are promoted, but the specific means of solving them varies with the person, the job, and the company.

The common problems of promotion are of two kinds:

- Problems involving the job itself.
- Problems involving the social features of the job.

## **Job problems**

The rules of the game, both written and unwritten, become much less explicit as a man moves up the ladder. Innovation and leadership are expected to replace the conformity which is frequently encouraged at lower levels. Instead of growing, as many people assume, job security may actually diminish. More is expected of a man as he moves upward, and the consequences of bad decisions and poor performance are greater.

Business organizations hire many persons as specialists of one kind or another and then reward them according to how well they perform in their specialty. The more capable rise in the organization until they reach a level where promotion means that they must subordinate their special skills and acquire a broader view of the company's operations and problems.

As a man advances, the less actual work he does himself and the more he must delegate to others. This may prove a hazard to someone accustomed to working by himself.

A topnotch salesman was promoted to sales manager. Here he devoted too much time to selling his old accounts and too little to directing his sales force. Nevertheless, when the president of the corporation died, the board of directors advanced him to the presidency.

He continued to sell his old accounts, making only one concession to his new responsibilities—he cut out all but the largest accounts. When other company officers suggested that he relinquish these customers to the sales department and devote more time to planning and guiding the corporation, the president argued that the accounts were important to the company and that no one could sell them better than he.

The corporation drifted, and several of its vice presidents quit in disgust. Finally the board brought in a new president and returned the topnotch salesman to servicing his accounts full time during the remaining eight years of his \$60,000-a-year president's contract.

This man's inability to change from a specialist to a generalist and to ~~delegate authority~~ as his responsibilities broadened proved costly to his company. Normally such failure proves even more costly to the person promoted, because it may well set a limit above which he cannot rise.

Here is an area for cooperation between management and its potential promotees. A man who wants



Higher you go, less you do



promotion must begin early to broaden his knowledge and experience beyond his own specialty, whether he is an accountant, salesman, engineer, or advertising specialist. He can seek special assignments and training outside his field, and his company can help him. By the time he reaches the level where he becomes an administrator rather than a specialist, he will be standing on a foundation broad enough to handle the change.

Delegation may pose problems even to the man accustomed to it if he is promoted into another department or takes a better job with another company, management authority Nathaniel Stewart says. He will be uncertain of the talent he has available in his assistants, deputies, and secretary. Careful study will be required to determine what he can delegate to whom and how much he can depend on them.

All of these factors may contribute to a general feeling of uneasiness in the new job, a questioning by the new man of whether he really can handle the work. The fact that his superiors feel him to be fully competent may not entirely reassure him when he first steps into his new office. Management can ease his uneasiness by making sure that promotions are not made hastily and that the person promoted has adequate preparation.

A young man was made an assistant vice president of an insurance firm. He knew nothing about it until his pay check came in and he found his salary had been increased. To this day he still is not quite sure why he got the position, and can only assume that he had done good work in his previous job and has some qualifications which fitted him for the new post. He has quit worrying about it, after a period in which his adaptation to the new job was slowed by his puzzlement over why he got it.

One personnel executive suggests that at least as much preparation should be put into promoting a man as would be put into firing him. His promotion is important to him, and his superior should explain to him the reasons he received it and what is expected of him in the new job.

One way that management can prepare a man for promotion is to give him special assignments in the area to which he is to be moved, Charles W. L. Foreman, vice president of United Parcel Service, suggests. This will give him advance familiarity with his new job, and it will lay the groundwork for his promotion.

Some companies name "best practices committees" from time to time to study solutions used by different company divisions or branches to solve a common problem which is vexing management. The committee seeks the best practice in use so that it can be applied by the entire corporation. Such teams, which are made up of a variety of management-level personnel, provide an excellent opportunity for someone being considered for promotion to gain familiarity with a different department.

If his new boss does not suggest it himself, the man promoted should ask to sit down with him and go over thoroughly the duties and responsibilities of his new job. In this way he can determine what his boss expects of him and can define the areas where he is free to operate himself, the areas where he must work



Train subordinate for your shoes

with his boss, and the areas in which he will work with others. He and his boss should assign priorities to the various duties he must handle, so that he can budget his time to fulfill his most vital functions first.

Other problems arise because too many managers hoard information about their jobs in an effort to remain indispensable and bolster their own feeling of security, according to John D. Staley, manager of the American Management Association's Personnel Division. They refuse to let their subordinates learn all the details of their job and delegate only a minimum of authority to those under them.

As a result, when one of the subordinates eventually is moved up to fill his boss's shoes, he finds them an unfamiliar fit.

Here an executive can do much to prepare his subordinates for promotion. He can reduce as much of his work as possible to routine procedure and policy and thoroughly acquaint his subordinates with



Promotion brings problems





Anticipate problems

it. In this way, they will become familiar with his job and, at the same time, will be able to lift some of the day-to-day chores from his shoulders.

An executive who has a subordinate trained and ready to step into his shoes is an executive who is available for promotion himself.

#### Social problems

In many cases, the social problems arising from a promotion may be more important than the difficulties of adjusting to the work itself, Frank E. Fischer, of the management consulting firm of Cresap, McCormick & Paget, says. A man who has been promoted must restructure his relationships with nearly everyone in the company: his former equals who are now his subordinates, his former superiors who are now his equals, and superiors who may have been distant figures before but with whom he now works daily.

A department manager was called in by the board of directors and told that he was to be jumped over the heads of four vice presidents and named president. Such a promotion was completely unexpected by him and, at the end of two years in the top job, he still was unable to bring himself to treat his former superiors, the vice presidents, as subordinates. As a result, he was not regularly reviewing their performance and responsibilities, and the corporation was without a firm hand at the helm.

Most people fail to realize that, as they move up, their fellow workers will regard them differently, Dr. Harry Levinson, director of the Division of Industrial Mental Health at The Menninger Foundation, says. They feel that they are the same old Joe they used to be. It is difficult, however, for former equals to act the same toward their new boss, who has power over their future careers, as they did toward their former co-worker.

One of the potential obstacles to success in a new job is the effect the promotion has on others in the organization who may feel that they or someone else should have received it. By temporarily dissociating a man from his present job through special assign-

ments, the sharp edge of his promotion will be dulled for others. He can also be built up as a good choice for the higher post through the normal company channels of communication.

A new man in a job may find that he has trouble changing the expectations of the post which his predecessor has established in the minds of other company personnel. His predecessor may have been adept at diplomacy and behind-the-scenes maneuvering. The new man may be direct and forthright. Particularly if he has come from outside the company, his approach to problems will produce a certain amount of shock until it becomes familiar.

Another problem in filling his new role may come in the symbols of status which are expected, though unwritten and unspoken, in some corporations. A new vice president of a New York brokerage firm was looking over the roster of officers one day and discovered that he was the only one who lived in an unfashionable neighborhood. The others lived in more fashionable suburbs. Though discarding such symbols as ridiculous, he found himself soon afterward moving his family to a more fashionable area.

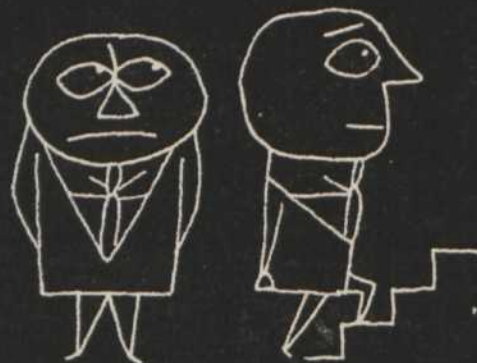
Tensions at home may be produced by the increased demands on time and energy a promotion requires. Longer hours of work may be required and a complete move to a new city may even be called for.

A person's best armament against these and other problems of promotion is to know in advance that they will probably turn up. A careful analysis of all facets of a new job, the credits and the debits, will provide a preconditioning to it which will help the new man carry through the initial period of unfamiliarity.

Once in the job, authorities say, the best course is to concentrate on doing the best work you can without letting the various emotional aspects of the change hamper your efforts.

END

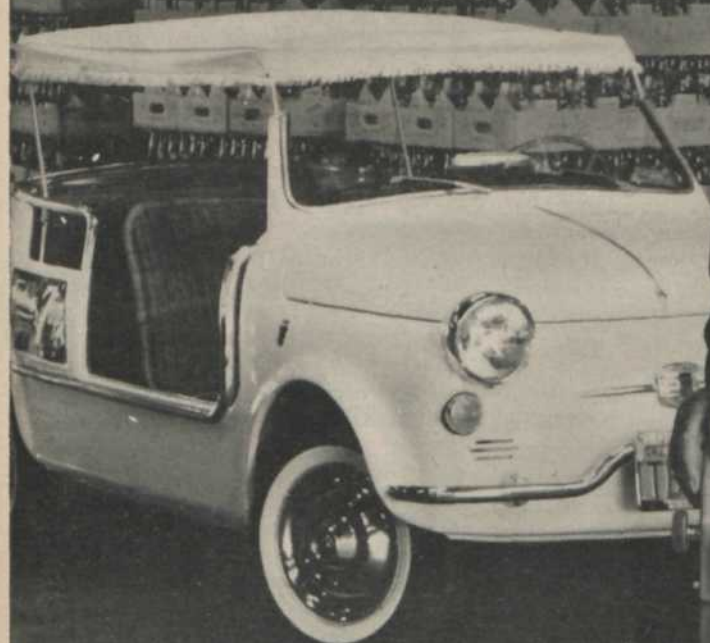
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## SELF-CONFIDENCE

*continued from page 34*

incompetency to others nor read luck into a successful career pattern.

The self-confident executive is not easily rattled or disturbed. Failure at a given task seldom depresses his general level of confidence.

He acquires and develops self-confident subordinates. Feeling adequate in his own right, he is not threatened by greater abilities in others. Confident that he can handle trouble, he does not mind trouble-makers around him. He does not resent people bringing problems to him nor does he make a crisis out of each little storm that blows his way.

If he dominates people, he does so out of genuine strength and not out of inner feelings of weakness. In short, he is aggressive, thrusting and exudes assurance.

### **What it isn't**

Self-confidence may be contrasted with boasting, which is self-praise for advantage; or with vanity, which is indiscriminate self-admiration; or with egotism, which is self-exaltation in thought and action; or with overconfidence.

Overconfidence is an unrealistically high estimate of self-worth: "I can do anything that anyone else can do," or "Nothing is really difficult if you set your mind to it."

There is also particularized overconfidence: "I can do again what I have just done," or "Once I learn something, I never forget it."

The executive with generalized overconfidence will volunteer for almost any job. He feels certain that, regardless of what role he plays in life, he will succeed.

### **How lack of confidence shows up**

The underconfident executive has an unrealistically low estimate of his self-worth. His self-doubt may be either particularized or generalized. Generalized underconfidence is the feeling, "I can do very little

that most others can do." Particularized underconfidence is found in such feelings as, "There is one thing I am sure that I could never do, and that is fly an airplane."

The more generalized the individual's lack of self-confidence, the more critical his condition. He lacks sufficient energy and drive in most or all areas of endeavor. He no longer feels that he has what it takes to achieve success.

To accomplish particular tasks he must find external objects of support and guidance. In business we sometimes see him clinging to certain kinds of bosses and subordinates. Consequently, he easily becomes immobile.

A second feature that often characterizes the extremely underconfident individual is an anxious attempt to be perfect and complete. He renders trivial functions complicated. This breeds confidence because performance can be exact.

He desires perfection in all things to rid himself of nagging self-doubt. He is irritated by being proved wrong, even if only in an insignificant detail.

On the other hand, he underestimates important things and this miscalculation keeps his general level of confidence low.

In some cases underconfidence leads to repetition of actions in striving for an imaginary state of perfection. Such was the case of an advertising account executive who overprepared his visual aids; the case of an accounting executive who always checked everything four times; and a marketing executive who always repeated his statements as though they were not believed the first time.

Repeating oneself is a symptom of self-doubt.

General lack of self-confidence may be seen also in the manner of decision-making. The self-doubter prohibits new ideas. He usually has a deep-seated fear of making wrong decisions. Even after he makes a decision he is ready to change it if the least doubt can be substantiated.

Consequently, he invests prodigious amounts of time and energy to be sure that everything has been covered that could conceivably occur to him after the decision has been made.

The subordinates of one executive learned that, when he was not confident about a particular decision, he would hand it down in an autocratic way which left no room for dispute. When he acted this way he would invariably change the decision a day or a week later.

Thus, the extremely underconfident appear reluctant, rigid, indecisive. These traits may be accompanied by a mania for perfection and abnormal persistence in procedures or techniques that once were productive.

It should be pointed out that the extremely underconfident executive does not always need support and praise or react favorably to advice and persuasion. Sometimes he rejects praise and rebels at persuasive influence. He never allows himself to have close relations with others.

The executive who withdraws or refuses help and advice or seeks aid but remains unmoved by it often is demonstrating acute lack of confidence.

While these characteristics help to identify many underconfident executives, there is one characteristic that identifies some but not others. This is the tendency to appear overly confident.

A self-confident person is not free of fears and doubts. Rather he feels his inadequacies can be dealt with.

The pseudo-confident businessman has always existed, but apparently he has special opportunity to develop today due to the increased generalization of the executive role. The executive now plays many parts, including being a good family man, a community leader, an educational leader, a religious lay leader. Now he has had a political role added to this complex.

Many of these roles are alien to his past experiences and may tax his confidence. While feeling underconfident, he must not show it since the stereotype persists of an ideal executive who is a strong-willed individual needing relatively few external supports. To succeed he may have to appear overly confident. Hence his pseudo confidence. The pseudo-confident manager feels humiliated if he has to recognize an anxiety or inhibition in himself.

He often feels disgraced when others fail to be impressed by him or are impressed by someone else. He must compete vigorously, not

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## Clues to your self-confidence

A confident person generally would answer "yes" to odd-numbered and "no" to even-numbered questions on page 35.

There may, however, be many valid reasons for differing answers. For example, the answer to "Is it hard for you to get your mind off your responsibilities?" may be "yes" because you lack confidence or "yes" because you are terribly interested in your work and entirely confident of your ability. Each answer must be examined in the light of your reason for it in order to get its real meaning.





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## SELF-CONFIDENCE

*continued*

because he has a genuine feeling of inner resourcefulness, but because inwardly he feels weak.

A more vulgar version of the pseudo confident is the cocky type. His efforts to convince others of his superiority occupy so much of his time that the egos of his associates are likely to be neglected.

The grandstander eventually may find himself in what may be called the egocentric trap. He usually gets things done without having to be pushed. This may be deserving of applause. But he may feel deserving of more credit than others want to give him. Being deprived of applause may force him to take on even more challenging responsibilities extending himself beyond the abilities suggested by the sequence of his past experiences.

Or, if given too much credit, the grandstander may have too high an opinion of his self-worth. This causes him to be overly confident about problems that he really should approach cautiously.

This explains a difficult executive behavior pattern, that of the crisis-builder. This individual has always been an enigma to executive counselors. It has long been believed that the executive who does not act on important issues until a crisis demands it is performing as a master manipulator.

However, we see now that he may actually suffer from self-doubt that can be overcome only by some impending emergency that has built into it an apparent course of action.

## How to develop self-confidence

The individual can feel confident only about what he has personally experienced.

Consider the individual who imagines that he could fly an airplane. He can imagine this with confidence because he is acquainted through his automobile with the principles involved in steering, braking, turning, and shifting. Thus he is able to picture himself as a pilot.

This illustration serves to point out two forms of confidence: pre-confidence, or confidence before the act; and postconfidence, or confidence as a result of the act. Both pre- and postconfidence influence the individual's total level of confidence at any given time. The individual in the illustration has pre-confidence about flying because he has postconfidence about driving. The extent to which he does not





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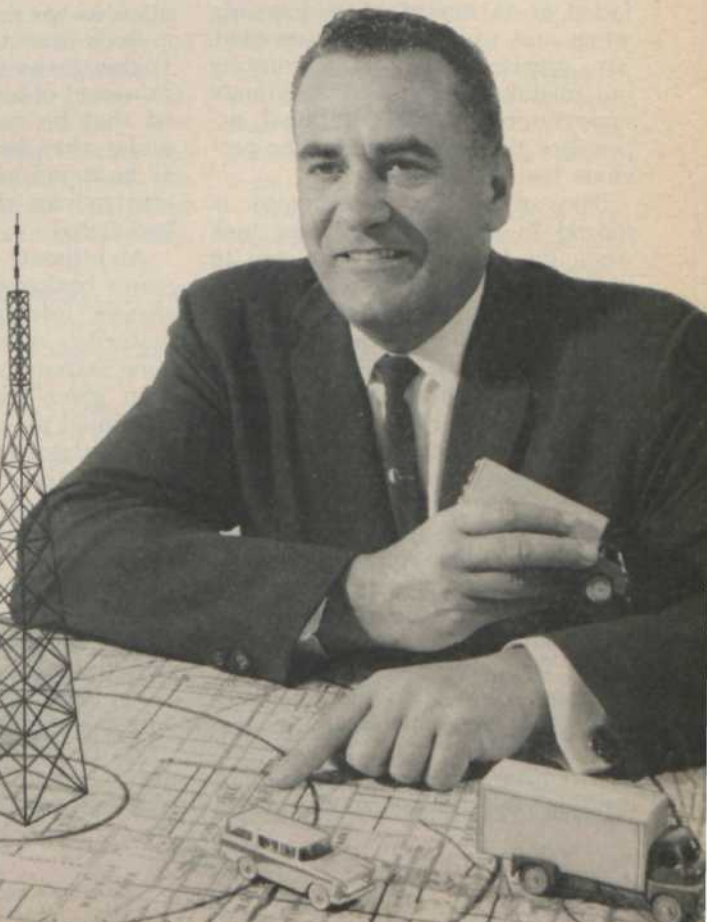


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## SELF-CONFIDENCE

*continued*

have the latter will affect the degree to which he has the former.

The problem today is preconfidence. Many executives are moved into positions of responsibility for which they are unprepared.

Even when someone intervenes to bolster their feeling of adequacy by praise or review of previous performances and gives them confidence enough to get started, this confidence is artificial.

If they lack the necessary experience, they may fail. When this happens, the impact can be disastrous.

This explains why executives sometimes fear assuming new responsibilities no matter how directly they are related to experience. All of which makes the problem of building self-confident executives extremely delicate.

For example, some executives lack self-confidence because of a failure to move them at the right time. Young executives should not be moved too often unless they have acquired a strong sequence of related experiences. Neither should they be kept so long in one spot as to stunt the experience required for generalized confidence.

Furthermore, lack of self-confidence may arise because the superior has not been fair in appraising the subordinate's performances. Knowing when and why one has failed is as important as knowing when and why one has succeeded. The superior should, after pointing out mistakes, give the subordinate opportunity to get additional experience that will supplant the previous bad experience.

Too often the subordinate is moved to a different or new task when he fails. This is no way to build self-confidence.

A big question is what experiences carry over to what jobs. Because the human being experiences personally and recalls these experiences inaccurately, it is not possible to standardize the experiences that a given executive should receive from a particular job situation.

However, the superior who develops self-confident subordinates usually has a close enough relationship to them to know their personal interpretations of their job experiences. He helps the subordinate to interpret his experiences reliably so as to assure an adequate level of confidence.

A danger today is the practice of sending subordinates to a training

program to overcome lack of self-confidence. Training is not an adequate substitute for experience. Classroom experience should help the trainee interpret experiences from his past and should immediately be followed up by direct experiences on the job.

In many cases superiors do not properly assess the trainee's classroom experiences and integrate them with job performances. Such training can lower confidence or build false expectations of job performance.

Trainees without adequate experience should not be put into training programs and trainees with adequate experience should not be expected to believe or practice what their experience does not affirm.

At best, training is to help executives organize their experiences in new ways to give them greater feelings for personal growth.

The important question is how the executive can keep his confidence high enough to achieve his goals.

First, he must keep his goals fairly well in line with his ability. Superhuman tasks will eventually

### Where's business headed?

For results of Nation's Business outlook survey, turn back to page 56

bring unconfidence when they are alien to one's inner resources.

Such was the case of a young engineer who set out to become the president of his company. He insisted that he be 40 years of age or under when he reached his goal. At 43 he found himself merely the executive vice president. He felt he had failed.

An intimate understanding of this man's background, childhood experiences, intelligence and emotional maturity suggested that he had done extremely well with what had been given him. Still he was an emotional mass of unconfidence.

This case suggests a second point: Seldom are immediate tasks the source of lack of confidence. It is usually long-range or life goals. These should not be too unrelated to experiences and skills, but also life goals should not be tied too closely to today's job. That is, one should not allow the outcome of daily skirmishes to determine the outcome of the battle of life.

To keep his level of self-confidence adequately high, the executive should concentrate effectively

on the necessary and immediate tasks. Otherwise, in the attempt to get too far too soon he will show impatience with the small tasks that lie in front of him. Failure at immediate tasks will eventually destroy self-confidence that is needed to succeed in the long run.

Executives who keep adequate levels of self-confidence do not step too far outside of their sequence of successful experiences. Their career pattern shows that they grow in self-confidence by small increments. This means that an engineer would not volunteer to do an accountant's job unless he wanted to pay the price of painful feelings of unconfidence.

Some individuals are able to range wider than others. Nevertheless, even these individuals keep their new tasks closely related to past experiences and select with care new areas of endeavor in order to keep their self-confidence high.

Deeply characteristic of the individual is his tendency to gain self-confidence by identifying himself with some group. However, self-confidence can erode by association with groups that prevent growth toward self-development. Groups are helpful that provide opportunities for achieving high and unique levels of performance by the individual.

Furthermore, one should not expect his self-confidence to grow if he joins groups that provide status rather than performance opportunity. Too often unconfident individuals join groups whose members are bound together by the common need for status and exclusiveness.

Self-confidence is not achieved simply by gaining social status and prestige, but by achieving success through performance. This means that self-confidence can be protected by surrounding oneself with people who have adequate levels of confidence. Friends and associates who commiserate with each other really are of no mutual help. Special caution must be taken against the pseudo confident whose bubbling optimism may exert depressing pressure on the unconfident executive.

Sometimes the need for a confidant is justified. The individual who cannot go it alone for long without feeling isolated and inadequate may need one person to whom he can talk freely and privately to check his self-estimates objectively.

However, this confidant must be mature in his capacity to check self-estimates against reality. His role is not to agree and sympathize, but to affirm and bolster the potentialities that one actually has. In this re-



spect, acquiring self-insight is a must for acquiring self-confidence.

Finally, one cannot build self-confidence by working with superiors who are not self-confident. Nothing is as destructive of self-confidence as the superior who lacks self-confidence. He creates insecurity for those under him out of his own inability to make up his mind or to provide opportunity for their self-growth.

Some businessmen actually attempt to cultivate some lack of confidence among their executives so as to assure aggressive striving and team play. This is precarious.

The wise superior knows that it is easy for the person under him to feel uncertain and inadequate and that the extent of this self-doubt is difficult to assess.

Self-doubt manifests itself much like an iceberg. The little that is seen represents but a small part of the total. This means that one cannot be sure how much self-doubt may already exist. Making a person feel a little uncertain in one role may amount to destroying the one remaining area of self-confidence. What may be intended to be merely a slight disturbance in feelings of self-confidence may cause total loss of confidence.

With these considerations in mind, the enlightened executive guards the self-confidence of the person under him and relinquishes authority to the extent that it will provide opportunity for that person's growth toward self-direction.

The individual who lacks self-confidence and who works among superiors or associates who breed unconfidence should consider relocating to protect and develop his self-confidence. One's professional growth is important enough to justify seeking out the conditions most favorable to success. Where one does not have the opportunity to choose his superior and associates, he must have adequate understanding of them in order to maintain self-confidence.

Self-confidence is built up by a total pattern of successive experiences. Self-confidence can neither be quickly developed nor quickly destroyed. It deserves to be carefully guarded because it is often the difference between success and failure.—EUGENE E. JENNINGS

REPRINTS of "How to Build Self-confidence" may be obtained for 15 cents a copy or \$10.15 per 100 post-paid, from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance.



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# TEAMWORK CUTS STRIKE LOSSES

Plans to insure against crippling setbacks may force changes in bargaining and strikes

YOU CAN EXPECT important changes in collective bargaining and strike techniques if the strike-aid plans already adopted by four industries become more widespread.

The plans are designed to protect individual companies from the serious losses that growing union power to strike and to prolong a strike could bring about. If the industries now considering the use of similar plans should adopt them, the result, according to observers, might be:

- ▶ More balanced management-labor negotiations and settlements.
- ▶ Bargaining on a wider scale.
- ▶ More and closer cooperation between companies and between unions in the same industry.
- ▶ Longer strikes.
- ▶ More government regulation of collective bargaining.

Of the plans now in effect, that of the railroads is the newest and may face a major test soon.

The airline, newspaper and Hawaiian sugar industries have plans similar in purpose, though considerably different in detail.

Among the industries giving most serious consideration to adopting a plan is trucking. An industry committee is studying existing plans and relating them to the truckers' problems and needs.

The basic steel companies also considered entering into a mutual aid pact during the labor negotiations last year. The pact was to operate if the United Steelworkers struck only one or a few companies in an attempt to break the united industry front against the union's demands. The union, however, struck all companies and the idea was set aside.

The industries which have strike-

aid plans, and the trucking industry which is considering one, have this in common:

The industry and individual companies are particularly vulnerable to union demands because of irrecoverable losses that can result from a strike. They cannot stockpile their service or product, and they usually are put under great pressure from users and the public to settle.

Passengers and goods not transported today usually are lost to competitors in the same industry or to other forms of transportation. Much of the advertising lost in a newspaper strike cannot be recovered. A sugar crop that is not tended and harvested properly can become a total loss.

Generally speaking, under existing plans the striking union has to be at fault for the employer to get assistance. The payment received is not enough for a company to profit by provoking or prolonging a strike.

The prospect is that industry generally will turn to similar strike-aid plans suited to its needs as unions build up strike funds and benefits for strikers and take other steps to increase their striking power. (See "Unions Build Strike Power," *NATION'S BUSINESS*, January.)

## **New union strike fund**

A new union strike fund, which will operate like an insurance plan, has just been set up in the AFL-CIO's Industrial Union Department, headed by Walter P. Reuther, president of the United Automobile Workers.

Sixty-five unions with 6,750,000 members, mostly in manufacturing industries, may participate in the IUD fund by paying into it \$1 for each member. The fund was started

with \$1 million which had been raised for striking steel workers and was returned after the 116-day strike ended last January. Potentially, then, \$7,750,000 will be available to the 65 unions if all participate.

What additional contribution will be made into the fund, and rules for disbursing strike aid, have not yet been formulated. But financial help has already been given to striking shipyard workers and newspapermen.

In addition to this group strike fund, 48 AFL-CIO affiliated unions have their own individual funds and 21 others pay strike benefits to members out of general union funds.

Mark L. Kahn, economics professor at Wayne State University, sees the adoption of strike-aid plans by employers as spreading unless restricted by law. Compensation to struck companies might be limited to strikes called to enforce demands that exceed a pattern or the recommendations of a public fact-finding board. Or a company might get help to break a pattern-setting strike, Mr. Kahn says.

With both sides supported by strike benefits, Mr. Kahn says "we can anticipate that, when strikes occur, they will tend to last far longer."

To nullify or minimize the effect of employer strike assistance, unions will press for more industry-wide bargaining, according to Mr. Kahn. He believes that the net result, in any event, will be closer cooperation among unions in bargaining.

"Other unions will exhibit more concern about the policies of the striking union because of the impact on their own members," Mr.



Kahn says. He points out that an industry-wide strike by one union will idle many members of other unions. He adds: "We may foresee a trend toward multi-union bargaining, probably complemented by multi-employer bargaining." That is the bargaining pattern on the railroads today.

Referring specifically to the airlines' Mutual Aid Pact, Mr. Kahn says it appears to shift bargaining strength toward the employers far more than would industry-wide bargaining.

How hard unions will push for industry-wide bargaining will depend on how much they fear additional government control of collective bargaining, he says.

Some employer plans for strike benefits will tend to shift management decisions in collective bargaining to the level at which the strike plan is administered, because participants in the plan will be eager to qualify for benefits, Mr. Kahn asserts, just as national union strike funds have tended to increase the voice of the national union in local union bargaining policies.

Unions, in turn, can be expected to insist on bargaining at the same level where the decisions on employer funds are made.

Mr. Kahn concludes that public policy will then demand more public regulation of labor relations either:

- 1, To limit the scale of collective bargaining and strike benefit plans; or, 2, to deal with the consequences of no limitation. He sees the probability of some legislation of both types.

#### **How employers view funds**

Employers insist that the main purpose of strike insurance plans is to provide more balance in bargaining by protecting individual employers against the threat of excessive losses which might otherwise cause them to yield to unreasonable union demands. It is comparable to the strike assistance, both financial and otherwise, which unions give each other. Yet union leaders have generally criticized the employer plans as being designed to undermine collective bargaining and destroy unions.

A resolution calling on the Senate to investigate newspaper strike insurance was introduced by Sen.

## These industries build defense against strikes



**RAILROADS:** Insurance covers fixed costs unless union strikes more than half of industry.



**AIRLINES:** Struck carrier receives any extra profits other carriers earn as result of strike.



**NEWSPAPERS:** Insurance covers part of strike cost after first week.



**SUGAR GROWERS:** Part of strike loss is shared by all Hawaiian sugar growers through mutual assistance pact.



## STRIKE LOSSES

*continued*

Wayne L. Morse, Oregon Democrat, in whose state two Portland newspapers have published for many months despite a strike involving nine unions.

A complaint of possible antitrust law violation was made to the Department of Justice by the United Steelworkers last year when the basic steel companies revealed that they were considering a mutual aid pact. Since the plan never came into being, the government did nothing about it.

The original airlines' pact which involves a sharing of profits was approved with some modification by the Civil Aeronautics Board. Overriding union objections, the CAB held that the pact was not adverse to the public interest and did not violate the Railway Labor Act, which covers airline as well as railroad labor disputes. The unions renewed their objections following a revision of the pact last March.

### Two kinds of employer plans

The existing strike-aid plans are of two kinds. In the railroad and newspaper industries, the participating companies have policies with insurance companies. Complicating state insurance laws and other factors made it advisable to place the insurance with foreign companies.

The airline and Hawaiian sugar growers' plans provide for mutual assistance among the companies.

The railroad industry adopted what it calls a Service Interruption Insurance Plan a year ago when it was entering the current dispute with the unions over wasteful work rules, or featherbedding, which, it is claimed, add \$500 million a year to costs.

Aware of possible strikes over the highly controversial issue, the industry felt it needed something to protect individual lines from being wrecked financially by a strike which singled out one or a few of them. Many carriers could not withstand a strike with only their own resources to rely on.

Another element considered was the fact that the railroads have to finance strikes against themselves through their payments into the Federal Railroad Unemployment Insurance Fund. Striking railroad employes draw \$10 a day from it.

The insurance plan, devised by a British firm in Nassau, met the industry's requirements that it:

1. Have public support and not

be characterized as a strike-breaking plan.

2. Not remove management's incentive to bargain.

3. Enable any railroad to survive a long strike.

4. Be within the means of a financially weak railroad.

Sixty-five per cent of the industry had to participate in the plan before it could become effective. Most companies in the industry joined.

Not all strikes are covered. The strike must violate the Railway Labor Act, defy the recommendations of a Presidential Emergency Board, or involve an issue which affects at least half the industry.

The daily insurance paid to a struck carrier covers only fixed expenses, plus the cost of a skeleton work force to protect the property during the strike. This is called the daily indemnity, and includes no profit, which keeps an incentive on management to settle quickly.

Each carrier pays a minimum annual premium to cover the insurance company's fee, profit and administrative costs. Additional premiums are paid after a strike begins. Companies not struck pay, on a pro-rata basis, an additional sum equal to the struck company's

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### Will your taxes be cut? For a forecast turn back to page 31

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daily indemnity for each day the strike lasts.

The maximum annual liability for each company is 20 times its own daily indemnity. For example, a company having a daily indemnity of \$200,000 would not have to pay out more than \$4 million in a year.

A strike over work rules no doubt will be covered by the strike insurance, but only if not more than half the industry is struck. If the unions strike more than half the industry, the plan is not operative because the daily charges would be too much of a burden on the nonstruck companies. Besides, when that many of the country's railroads are brought to a halt, the government is almost certain to intervene.

The work-rules dispute is still in preliminary stages. Under the delaying machinery of the Railway Labor Act, a strike over work rules is not likely before next year.

One claim has been paid so far—\$45,650 to Alton & Southern Railroad in St. Louis to cover its expenses during an 11-day strike of trainmen over disciplinary methods.

Claims are approved by an advisory committee made up of the heads of the country's three regional railroad organizations. The committee decided that the issue involved in the strike was vital to the entire industry.

No government agency has examined the railroad insurance plan. The roads were advised privately that the plan is sound and proper from an antitrust and legal aspect and that the premiums paid are deductible for income tax purposes.

Railroad brotherhood officials have attacked the plan informally, but have filed no formal protest with the carriers or the government.

In defense of the plan, Daniel P. Loomis, president of the Association of American Railroads, said: "The railroads felt it was not only in their interest but also in the broad public interest to seek protection from huge financial losses that are an inevitable consequence of work stoppages.

"The insurance plan is in the public interest as it guards a railroad against complete financial collapse and, therefore, is protection for the public and the nation."

In the newspaper industry, participating employers have what is called suspension insurance. It is handled by the Newspaper Publishers Premium Fund Committee with a Montreal firm. Officials connected with the fund refuse to discuss it on the ground that the insurance is a private matter between the newspapers and the insurance carrier.

In general, insured newspapers receive a daily indemnity beginning on the eighth day of a strike.

The airlines' Mutual Aid Pact was put into effect in October, 1958, by six major airlines—American, Capital, Eastern, Pan American, Trans World and United.

Originally it covered strikes in which union demands exceeded, or were opposed to, the recommendations of a Presidential Emergency Board; where the union had not exhausted the procedures of the Railway Labor Act, or where the strike was otherwise unlawful.

Last March the plan was revised to include strikes which do not involve an emergency board and where the struck carrier has complied with the procedures of the Railway Act. At the same time, other carriers were invited to join. Braniff, National, Continental and Northwest airlines did with the condition that they would drop out if CAB disapproved the revised plan.

As modified by CAB, the plan



provides that each participating carrier will pay to a struck airline any increased revenue, less expenses, which it receives as a result of the strike. This amounts to paying to the struck line any windfall money received by a competing carrier on a parallel route.

The modification by CAB was to delete from the plan a provision that the struck carrier would divert traffic to the other participants.

On the whole, CAB found that there was no intent under the plan to monopolize or lessen competition and that it was not adverse to the public interest.

Four of the participating airlines were struck in late 1958 and early 1959. They received a total of more than \$9.5 million in payments. All six of the airlines then participating made payments to struck lines.

The Association of Air Transport Unions, which was formed last year by seven unions representing airline employees, has petitioned CAB to disapprove the revised pact.

The unions contend that the pact now would cover all strikes and goes beyond what the airlines justified when CAB approved the plan originally. The pact, a year-to-year agreement, runs until Oct. 20.

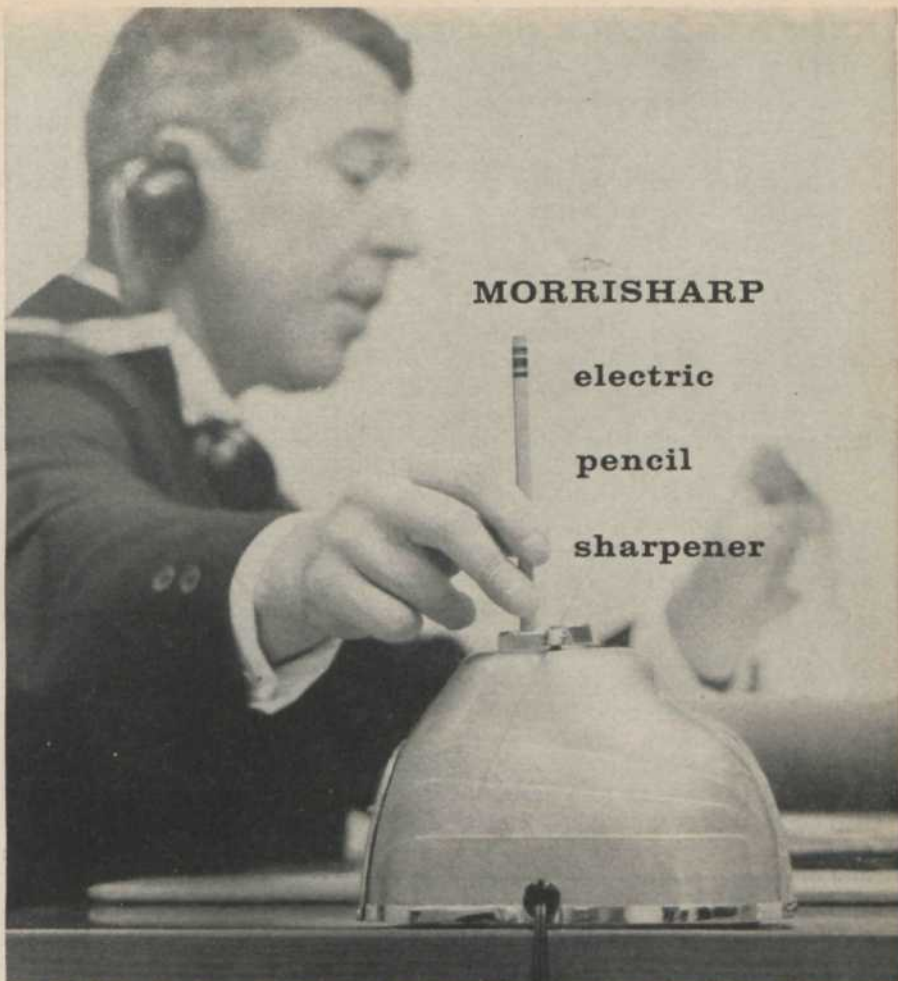
Major airline contracts expire in the fall. The unions signed a mutual assistance pact a month ago. They agreed to stick together in bargaining new terms and in any strike which may result.

The Hawaiian Sugar Planters' Association's plan, to spread long-term strike losses evenly among 26 island plantations, was organized in 1956 in preparation for a strike expected from Harry Bridges' Longshoremen's and Warehousemen's Union.

The strike did not materialize that year, but a four-month strike two years later made the plan operative. The 1958 strike caused irreparable damage to the 1958, 1959 and 1960 sugar crops. Losses varied widely between plantations.

The plan pays off something like a deductible insurance policy. Each of the plantations has an agreed normal yearly production figure. One third of the normal production is excluded from coverage, so that a plantation which loses one third or less of its crop receives no compensation. Losses exceeding one third are compensated at 75 cents on the dollar.

Within limits, all plantations, including those receiving compensation, are assessed to raise the payments. Assessments are payable in installments in future years. **END**



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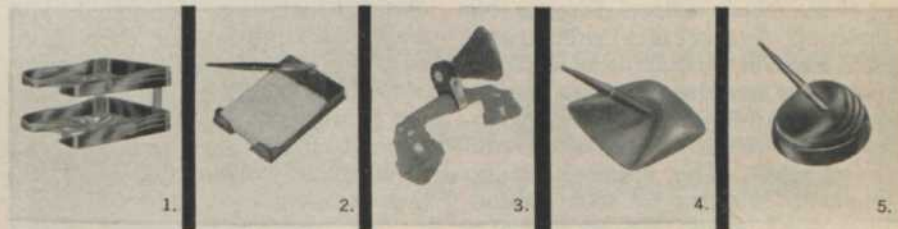
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## Different weapons systems vie for leadership without battle testing

from Rep. Gerald R. Ford, Jr., ranking Republican member of the subcommittee. The Michigan lawmaker picks \$500 million as the increase that may be needed to keep U. S. military strength as high as necessary and hopes the actual increase won't top about \$750 million a year.

Many of the pressures for higher spending are inexorable, congressmen explain.

### Expensive new weapons

A key lawmaker tabs Polaris as the top item to watch in assessing future spending trends. "We may buy 100 of them before we're through," he says.

Enthusiasm is high for these nuclear-powered submarines armed with atomic-tipped, intermediate-range Polaris missiles. They are designed to slink near the enemy's shore and fire the missiles from under water at targets as far inland as 1,500 miles.

From its start in fiscal 1956 through the fiscal year that ended June 30, about \$3.7 billion had been spent on this program. This included research, development, all the funds necessary for nine submarines and partial financing to start three more. This fiscal year, more than \$1.3 billion more is scheduled to pay the full cost of five more and initial work on seven more. In all, 21 are planned now.

The first two won't be completed until later this year. Others are scheduled to follow at the rate of about three a year. Each sub carries 16 missiles.

Some Navy officers favor a big speedup. A target of 45 submarines, at a cost of \$9.9 billion, was proposed at a subcommittee hearing by Vice Adm. J. T. Hayward, deputy chief of naval operations (development). The admiral recommended "working up to a production which would give us a boat a month."

The 45 submarines, with their 720 missiles, would have "the ability to do the job," he declared.

A subject of debate is mass production of the glamorous B-70 bomber, designed to travel about 2,000 miles an hour, or three times the speed of sound. The President

has limited this project to construction of two test models and asked \$75 million this fiscal year. The Air Force wants to spend \$456 million this year alone and a total of about \$5.5 billion to produce the new bomber in quantity. A total of \$528 million has already been spent on it.

The backbone of the U. S. missile force for the next few years will continue to be the Atlas, supplemented by Titans as they are produced in greater quantities. The Air Force is planning 13 Atlas squadrons made up of 148 missiles, and may propose two more squadrons of 12 missiles each for delivery in 1963.

The present Atlas program would cost about \$5.5 billion, of which about \$3 billion has already been spent. The other \$2.5 billion will be concentrated in the next two fiscal years.

The Titan's total cost is estimated at \$4.6 billion, of which \$2.1 billion was spent through the last fiscal year and the other \$2.5 billion is yet to come.

Coming in 1963 is the Minuteman. These ICBM's will be sunk in deep, reinforced underground silos, or hauled constantly on random routes over the nation's 100,000 miles of railroad track. Experts agree these techniques would make it difficult for the enemy to destroy a large part of our retaliatory strength in a single attack.

Minuteman will be a notable exception in the trend toward more expensive weapons. The Air Force estimates each Minuteman will cost about \$1 million, compared with about \$1.9 million for each Atlas or Titan. In the new fiscal year, almost \$390 million was provided for Minuteman. Its total cost will depend on the number bought but is unofficially estimated at \$1 billion or more.

### Counter weapons

Representative Mahon says of the ICBM: "There is in existence no defense against this weapon, not even a system that would warn us that an attack is on the way. From the testimony I have listened to, I do not foresee a fully effective defense against the ICBM, or the inter-

mediate-range ballistic missile for that matter, in this decade. Indeed, I do not foresee that there will ever be a defense against the long-range ballistic missile that is fully effective."

The U. S. is spending billions each year on defenses against enemy bombers and billions more on equipment that will at least provide a warning of missile attack.

Anti-aircraft defense now is largely in the hands of interceptor planes and Nike-Hercules nuclear-tipped ground-to-air rockets. The Air Force argues that its Bomarc missile will do the job better and wanted to spend \$345 million this year to produce them but Congress cut the amount considerably. Bomarc has already cost \$1.1 billion.

Coordination of defense against a bomber attack centers in the SAGE system, an electronic setup which has cost about \$1.5 billion so far and is scheduled to cost more than \$2 billion more before completion in fiscal 1964.

Two projects offer hope for warning of a missile attack: The Ballistic Missile Early Warning System (BMEWS), potent radar stations in the Far North and Britain, and the Midas (Missile Defense Alarm System) satellite.

When completed, BMEWS is expected to provide about 15 minutes warning of a missile attack. Midas will be able to feel the heat of a missile's blast-off and relay word immediately.

This would provide about 30 minutes warning, assuming the Russian missiles are coming about 5,000 miles across the top of the world.

The first Midas now in space is experimental. It will be 1963 before they'll really work. Midas spending this fiscal year is about \$100 million. Its eventual cost likely will be at least \$1 billion.

To help give advance notice of attack, the U. S. is planning the Samos, a satellite to take pictures of enemy territory. However, this substitute for spy planes won't be ready for three or four more years.

Research work on the Nike-Zeus, projected as an antimissile missile, continues with \$287 million of spending this year.

Until U. S. missiles are ready to fire back if Russia attacks, America's retaliatory power is largely in the hands of the Strategic Air Command, capable of raining hydrogen bombs on Soviet territory unless a large part of the force is destroyed by enemy missiles.

Thus, some critics argue that some or all our B-52's should be



kept in the air at all times so they could not be hit. At present, only a tiny part of the force is kept on training flights, with more on ground alert. President Eisenhower asked \$85 million this fiscal year for spare parts and equipment for a partial airborne alert if necessary. Congress more than doubled the amount. A full airborne alert would cost about \$2 billion a year.

Still another defensive program is antisubmarine warfare. Concern about U. S. ability to detect and destroy enemy submarines prompted Congress to add greatly to the \$100 billion proposed for this work this year.

#### Obsolescence and modernization

The Army claims to lose through consumption, wear and obsolescence about \$1.4 billion of material each year. In recent years, it has been allowed little, if any, more. Army Secretary Wilber M. Brucker proposes a modernization program that would cost \$2.8 billion a year; the Army sent Congress a list of 55 priority items on which it would like to spend \$928 million right away.

Admiral Arleigh Burke, Chief of Naval Operations, complains of "a slowly shrinking naval establishment," being reduced seven to eight per cent a year by spending limitations. Furthermore, he adds that 78 per cent of the ships in the U. S. fleet are of World War II vintage and about to wear out.

The prospect of more nuclear-powered ships indicates continued upward spending pressure. A nuclear-powered aircraft carrier, for example, costs \$130 million more than the \$293 million conventional carrier asked this year.

#### Retirement pay

The system that allows military men to retire after 20 years of service is rapidly mounting in cost. In the current fiscal year, payments are estimated at \$775 million. They will amount to \$1 billion a year by 1964 and \$3 billion by 1975.

The U. S. Chamber of Commerce has urged a comprehensive study of what can be done to curb these costs without destroying the system's career-incentive value.

Possibilities include placing the system on a contributory basis, terminating or restricting the privilege of 20-year retirement, or establishing a minimum retirement age, regardless of length of service.

#### Ways to save

Those who contend that defense



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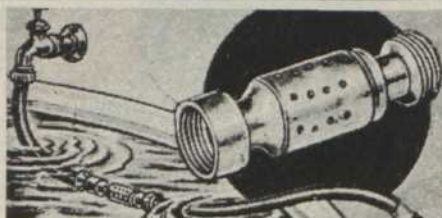
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## DEFENSE

continued

spending need not rise in the years ahead assume that ample Minuteman missiles and Polaris submarines will become available on schedule to supplement the Strategic Air Command.

Already the question of "over-kill," or excessive power to destroy the enemy, is an issue. Some top Army and Navy officers argue that the Air Force already has more than enough weapons of mass destruction and the U. S. should spend more preparing for limited warfare. "And even the big ones would become less expensive over the long haul if we decide which ones we want and mass produce them," one official notes. "The unit cost will go down quickly."

Congressmen interested in keeping the cost of defense down without reducing the nation's strength are emphatic that military manpower must be cut as weapon firepower increases.

The Army figures the average cost of each man at \$7,000 a year. Thus, a reduction of even 100,000 men would result in a \$700 million saving. But each of the services strongly resists cuts.

"The Army considers its present 870,000 strength an irreducible minimum," one congressman complains. Slight reductions, however, have been made in the Navy and Marine Corps.

Many opportunities exist for further cuts. The National Chamber recommended five specific actions that would save \$192 million in manpower costs this fiscal year alone.

For example, the Hoover Commission five years ago identified 16,000 unnecessary managerial and technical positions resulting from the dual staffing of noncombat support activities by military and civilian personnel.

A congressional economic subcommittee estimated this spring that \$450 million a year could be saved by coordinating procurement, supply and related activities. The Pentagon recently announced a plan to integrate all long-haul military communications systems and Congress cut funds for the individual services' communications work to compel them to make the merger effective as soon as possible.

Vast savings could be made by consolidating such activities as financial management, chaplains, intelligence, medical and hospital



services, transportation, legal services, military police, and training.

Still another way to reduce unnecessary spending is to eliminate or curtail the commercial or industrial type activities the Defense Department operates in competition with privately owned, taxpaying firms that could provide the same goods or services at reasonable cost. The number of such activities has been reduced by only about 500 in the past five years, and about 2,000 are still in operation.

In the procurement field, the House Appropriations Committee was sternly critical of the failure of military experts to decide quickly enough which weapons projects should be pushed and which should be dropped.

"From July 1957 to December 1959 dozens of projects on which nearly \$4 billion had been spent were canceled by the military services," it noted. "Most of these projects were for the development of major weapons systems, but no successful weapons were ever produced. Some of the cancellations were made after hundreds of millions of dollars had been spent."

The Committee recommended that work on alternative approaches to a weapon be done on a development basis only.

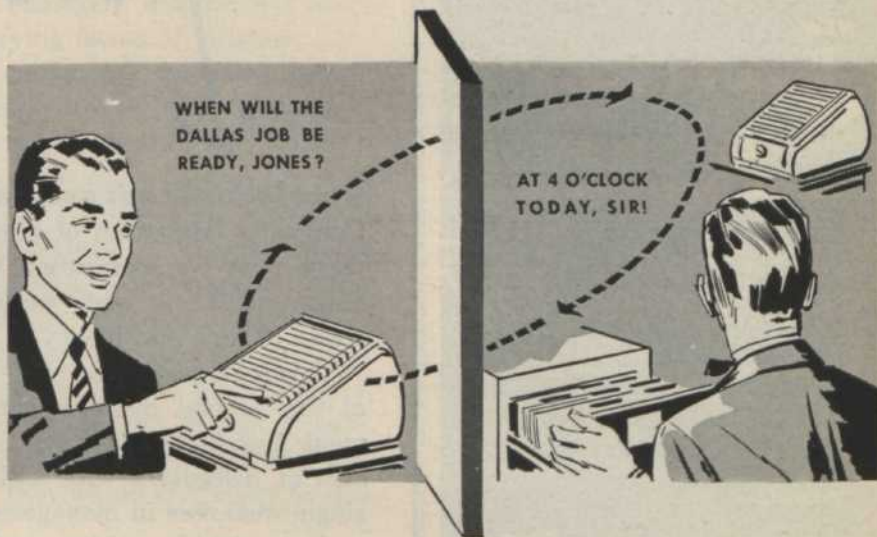
"The system should recognize the necessity to eliminate alternatives at the time a decision is made for quantity production," it insisted. "It is this decision that is all important."

To help force this reform, the Committee announced it will demand that all future budgets reflect full consideration of the spending effects of previous-year programs and show a projection of the total cost of the project for at least two years beyond the one for which funds are requested.

A further step toward more efficient money control at the Pentagon has been recommended by the National Chamber. This would provide for appropriation of most military funds directly to the Secretary of Defense, rather than to the separate services.

"We are convinced," the Chamber said, "that this latter practice, more than anything else, is responsible for the multiplicity of similar weapons systems development programs, as well as the difficulty of reaching firm and early decisions regarding the termination of less promising programs or programs that have progressed too slowly to be of maximum effectiveness for the purpose intended." **END**

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# Executive Trends

## Delegating is not same as assigning

Confusing delegation of authority with assignment of a job can cause poor communication between superiors and their subordinates, inefficient work performance, bad feelings and shocking waste of time and money.

This is an evaluation made by Harold B. Schmidhauser, manager of the general management division of the American Management Association, Inc. Mr. Schmidhauser is convinced that confusion of delegation with assignment constitutes the most serious single weakness in management today. He thinks it will continue to be a serious problem and, along with the increasing need for better face-to-face development of subordinates by superiors, will require corrective management action for some years to come.

"When you delegate," he says, "you should assume that the delegatee has the potential and capacity to do the job. When you assign, the implication is that the subordinate will need some training to carry out the job."

► If delegation is used, the delegatee holds final responsibility for keeping his superior informed of his progress. In instances where assignments are made, the superior is the key to the communication and review process. Mr. Schmidhauser points out that the superior should know his subordinate's strong and weak points, his capacity and potential, and should ask himself, when using delegation or assignment: Are the standards of communication understood? Is the job clearly defined and understood?

## How to wreck an executive appraisal

One of the topics of current interest to managers is the process by which the work of subordinates is appraised.

George S. Odiorne, director of the University of Michigan's Bureau of Industrial Relations (and a frequent contributor to NATION'S BUSINESS) says there are seven major pitfalls in current appraisal practice.

He identifies the seven as, 1, the assumption that a man has done well recently because he did a good job a long time ago, 2, rating a man high because he agrees with you, 3, "recency"—or rating a man favorably because he did a good job recently, although his work for the rest of the year may have been mediocre, 4, overrating of glib talkers, men with impressive academic degrees, or your fellow alumni, 5, failure to see defects which are the same as your own, 6, judging a man solely on his paper record, and, 7, downrating men who get the job done but often have complaints.

► The basic test of a good appraisal system, Mr. Odiorne says, is "not

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whether it makes people uneasy, but whether it allows the right men to rise and prevents others from doing so." He recommends these steps for effective appraisal: Identify competent leaders through their performance on lesser jobs and evidence of their ability to assume broader responsibilities; simplify appraisal so the men who move up are easily recognizable as the best; select leaders with a high degree of acceptability to those left behind; advance those with proper values for leadership in society.

### Business games get new twist

Simulation exercises designed to test managers' abilities and teach new skills are expanding to cover varying facets of business.

Among the newest: Introduction of capital formation and financing, as well as operation, in a game developed by Richard C. Henshaw, Jr., professor of business administration at Michigan State University. Students using this game must interest investors in stocks and bonds through a prospectus outlining their company's plans. Another new game, developed by Martin Shubik of General Electric, incorporates simulated stock-market trading to inject financing aspects of business into operational games.

Business educators consider games good training for students. "They're strong motivators," says Alfred L. Seelye, dean of Michigan State University's College of Business and Public Service. "Students get intensely interested in playing their role and give the games much more attention than they would give many lecture courses."

► Joel Kibbee of Remington Rand-Univac, who chaired a recent national conference on simulation and business games, says the games should not be used as "toys" but as "serious training tools." He says they build managerial proficiency when used for research, training, and for an assist to the decision-making process, where they hold their greatest practical value. Mr. Kibbee believes simulation will be the most important single aid to managing in the future.

### Six tips for better reference checking

It's a rare executive who doesn't at some time face the problem of having to investigate references given by a man or woman applying for a job.

What's the best way of handling the reference check?

Officials of Thorndike Deland Associates, in a recent presentation before an executive recruiting seminar, recommended this program:

First, throw away the references listed by the applicant ("It's only human for the candidate to list people he knows will say nice things about him"). Second, don't rely on letters ("Talk in person or on the telephone for maximum useful information"). Third, don't be vague ("Ask specific questions to get specific answers"). Fourth, know the reference-giver ("So you can evaluate his comments"). Fifth, follow your intuition ("Eliminate all doubts before you hire the man"). Sixth, use a checklist ("Cover only key points on questionable areas, but don't forget to ask any of the significant questions").

► Also disclosed at the meeting were results of an American Management Association survey on how companies expect to meet their future executive manpower needs. Ninety-nine per cent of the firms replying report that there is at least a 50-50 chance that they will have to recruit from the outside within the next two years. The largest number of respondents said they would search informally through their business contacts.



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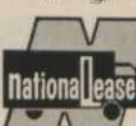


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## NATION'S BUSINESS EDITORS REPORT ON: Wage outlook

WAGE BARGAINING takes on new look. Changed attitudes, tactics on both sides mean variety, uncertainty in settlements. Wages still will go up--on average --but set no pattern.

Labor-management bargaining is more two-way street. You can push facts on your business with better chance of succeeding, getting concessions.

It won't be easy. Unions are tightening ranks.

\* \* \*

NEW PATTERN, if there's to be one, won't come until August, next year. That's when Big Three auto contracts expire. Walter Reuther will renew drive for shorter work week, profit-sharing for auto workers.

\* \* \*

HARD FACT company negotiators face now: More than 2.7 million workers get automatic wage increases promised earlier. More than half in 6-to-8 cent range, build pressure for increases to others, keep trend upward.

Even so, you can avoid wage increase if facts on your business back you up, convince workers. Typewriter company does this: Year-long educational campaign includes cafeteria display of foreign-made typewriters sold here, shows market and job impact of lower wages, prices. Ninety-five per cent of employees see it. Result: No wage increase for six months.

Michigan furniture company goes even further. It shows how competitive disadvantage forces sales down, threatens jobs. Union agrees to 10 per cent wage cut, halts cost-of-living escalator.

\* \* \*

FACT IN YOUR FAVOR: Cost of living keeps rising, but rise is much slower. More stability ahead promises little if any additional escalator increases this year. Fact is, unions are turning away from tying wages to living costs.

Note new emphasis on fringe benefits. When argument is weak for higher



## SPECIAL LETTER: WAGE OUTLOOK

wages, unions push for larger pensions, more health insurance, job security.

\* \* \*

INDUSTRIES TO WATCH in months ahead: Electrical, airlines, aircraft, oil, rubber. Settlements may affect your wage position.

\* \* \*

WHAT DO UNIONS EXPECT? Labor economists see this year's wage increases running as high or higher than last year's. They see rising productivity and deferred increases on their side, with high unemployment a limiting factor in some places.

They also recognize management resistance as factor in holding increases to "modest level."

\* \* \*

GROWING UNION COLLABORATION makes it harder for you to brake rising costs.

Unions team up, coordinate bargaining strategy in industries, notably in aircraft, airlines, electrical manufacturing, railroads, railroad equipment, gas utilities, potash, others.

Several unions within a company try similar tactics--exchange economic data, match demands, synchronize strike deadlines, pool strength.

To back this up, unions build larger strike funds (See "Unions Build Strike Power," January issue).

In defense, companies in some industries utilize strike insurance or enter into mutual assistance pacts (see page 76).

\* \* \*

YOU CAN MAKE PROGRESS to eliminate wasteful work practices and get back management of your business. It must be long-range goal, takes time, hard work. Note planned program of railroads against obsolete work rules.

One management executive says do job first in your own company:

Take it slow, step by step. Decide one malpractice you want changed that isn't important enough to cause strike. For example, pay for union stewards to investigate grievances. At next bargaining session, insist it be changed.

Next time, pick something else that should be changed. In time, you can clean up situation considerably.





# What is it?

AERIAL PHOTO of the ocean? No. Rocket's eye view of a landscape? A good guess, but wrong again. Wood you like a hint? You guessed it—lumber. More specifically, plywood—photographed very close up and enlarged many times. The point is, no matter what you want to ship—from something as substantial as wood to something as volatile as oil—you can be sure the Rock Island will spare no effort to transport it carefully, quickly, and economically. Modern equipment, electronic traffic controls, automatic classification yards, system-wide teletype and microwave networks, experienced, expert, conscientious personnel—all assure that your freight will be handled the way you want it handled.



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CHICAGO 5



# What makes a company EFFICIENT

New data can help you determine how well your firm is doing in the productivity race with competitors

TO REAP substantial profits from the markets of the 1960's, your business will have to operate at peak efficiency in an era when efficiency will be at a premium.

In the past, some companies have been able to do well even with fairly inefficient methods of doing business. Demand was pent up. Selling was easy. Production soared. Not so in the 1960's. Competition is becoming sharper. Profit margins are being increasingly squeezed in the vise of costs. Maximum output per man-hour is now a must for successful operation.

To plan for productivity improvements—getting more output per worker per hour—it first is necessary to understand the productivity trend. Statistics on productivity, properly used, can be one of your most valuable tools. They can also be dangerously misused. The reason is simple. Over-all measures of output per man-hour are averages of a wide range of individual industry and company performances.

To use productivity figures advantageously, the alert business management needs to know:

- ▶ What underlies the broad productivity figures.
- ▶ The key factors affecting productivity.

## **Make-up of productivity figures**

Over-all productivity figures conceal significant differences in performance between industries as well as between individual firms. A quick look at the most important figures illustrates this.

According to latest reports, the average increase in productivity for the manufacturing sector of our economy has been a little more than three per cent yearly.

When you look at the productivity results industry


by industry the spread is tremendous. Between 1947 and 1958 some industries almost doubled their output per man-hour while others actually lost ground. The industries which have made significant increases in productivity in the past ten years, according to official Bureau of Labor Statistics figures, include not only highly mechanized industries but some where labor is a surprisingly large part of the operation.

New figures soon to be released by BLS will show that, as of the end of 1959 (which was an excellent year for productivity increases), some of these productivity leaders have more than doubled their output per man-hour. One industry, synthetic fibers, almost tripled in ten years. Other industries with above-average productivity records include anthracite and copper mining; railroad transportation; canning, preserving and freezing; cement; candy and other confectionery products; full-fashioned hosiery; flour and other grain mill products; malt liquors; paper and pulp; primary smelting and refining of copper, lead and zinc; and, finally, the tobacco industry.

Tobacco demonstrates the great differences in performance possible even within an industry. Although the industry as a whole had increased its productivity almost 53 per cent in ten years, output per man-hour for cigarettes, chewing and smoking tobacco increased less than two per cent per year. But productivity in cigar manufacturing increased 99 per cent in the period—almost 10 per cent a year.

Evidence of this great spread in productivity performance was presented recently in testimony before the Joint Economic Committee of Congress. Offered as evidence were National Bureau of Economic Research data on productivity changes in 33 industries



- 
- LEVEL AND TIMING OF CAPITAL INVESTMENT
  - TECHNOLOGY AND AUTOMATION • RESEARCH AND DEVELOPMENT • WORK-FORCE MIX
  - MARKET DEVELOPMENTS • HUMAN ELEMENT
  - PRICES AND PRODUCTION • CAPITAL OUTLAY

from 1899 to 1953. Changes in output per man-hour for this period ranged from less than 90 per cent for the lumber industry to 2,500 per cent for electric utilities.

Here are some of the other figures:

- ▶ 100 to 200 per cent increase: leather and its products, furniture, bituminous mining, beverages, manufactured foods, nonelectric machinery, apparel, telegraph, telephone.
- ▶ 200 to 300 per cent increase: primary metal manufactures, fabricated metal manufactures, metal mining, electrical machinery, paper and paper products, textile mills.
- ▶ 300 to 500 per cent increase: natural gas utilities, railroad transport, local transport, nonmetal mining, stone, clay, glass products, printing.

The rest of the industries in the National Bureau sample chalked up increases in output per man-hour exceeding 500 per cent for the period. These include petroleum products, crude petroleum, chemicals, transportation equipment, tobacco manufactures, rub-

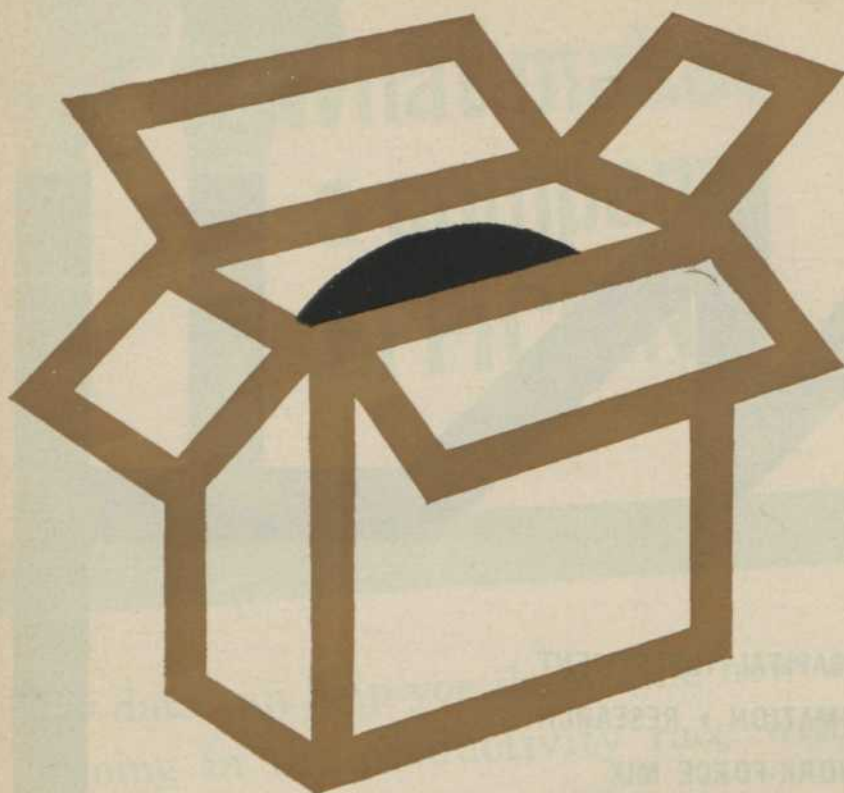
ber products, manufactured gas utilities, electric utilities.

These increases did not occur evenly. This in itself underscores the difficulties of using comparative productivity figures for business policy.

Few figures or studies comparing productivity in individual firms or plants are available. However, if they were, it is certain they would show differences at least as great as those shown by the industry productivity figures. These disparities would mark the chief difference between low- and high-cost producers in an industry.

Since such figures are lacking, the averages for the industry can be valuable guides. If output per man-hour in your firm is near the figure for your industry, some of your competitors are probably doing considerably better than you are. The need for refined figures for evaluating individual plant performance may lead to some way of utilizing the data for thousands of individual establishments gathered by the Bureau of the Census. These figures, if analyzed, could provide valuable information on productivity





## What's In It For You?

"Why not look into it and see for yourself? And don't let that ticking noise keep you from looking into the package. It's not a time bomb, take my word for it.

"The noise you hear is that of a clock ticking away—a reminder that time is passing by, and cannot be recalled later at your convenience.

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"I can think of no better utilization of a small fraction of your time—an hour or two a week—than participation in organized work for the improvement of your community, your city, your business conditions, your living conditions. Can you?

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**Pete Progress**

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## EFFICIENT

*continued*

patterns within individual industries.

### Key factors in productivity

Although it is difficult to pin down the specific reasons why productivity differs so sharply between industries or firms, experts have singled out several key factors.

Knowledge of how these factors affect productivity can help businessmen initiate policies to even out fluctuations in productivity. It can also help them to uncover weaknesses in their management techniques and increase over-all efficiency. Here are the factors:

- Level and timing of capital investment.
- Technology and automation.
- Research and development.
- Work-force mix.
- Market developments.
- Human element.
- Prices and production.

*Capital investment:* The increasing output per man-hour has been based on a steady and substantial growth in the capital investment per worker throughout the economy. What is often overlooked is the fact that the increase in productivity which has followed this growth in capital has largely depended on two management skills: 1, the capacity to choose the best levels of expenditure on plant and equipment and, 2, the ability to time these outlays strategically. Miscalculations made in either of these often are the difference between success and failure for a firm. Even more serious, such miscalculations tend to spread so as to affect over-all production.

Experience has shown that both investment and the resulting gains in productivity have followed cyclical patterns. This has meant periods of substantial losses in productivity as well as gains. The recovery and expansion of production during the business cycle often reflects heavy investment in plant, equipment and labor-saving devices made earlier—just before the downturn in general business. Productivity increases are therefore gained at the cost of earlier losses. To counter this, management is increasingly trying to gear its investment programs to a long-range blueprint rather than short-run fluctuations in business and demand.

*Technology and automation:* Productivity gains have stemmed directly from the application of sci-



ence and engineering to production problems. This has reaped a vast, if sometimes uneven, flow of new products, new processes, new materials, and new equipment.

According to the Bureau of Labor Statistics, the technological advances in processes and equipment over the past 15 years are due to six fundamental developments: 1, improvements in the speed and capacity of automatic machinery; 2, greater use of conveyers in materials handling; 3, automatic control; 4, increased instrumentation; 5, integration of processing and handling; 6, more extensive use of electronic data-processing equipment.

**Research and development:** Although it is still fragmentary, an impressive body of research on the use and effects of automation is being accumulated. A leading authority in this field is Edgar Wienberg of the Bureau of Labor Statistics, who has conceived and directed many of these studies. These are already available for management to utilize in planning operations.

Recent figures released by the National Science Foundation show that industry employs almost one million scientists and engineers in research and development and is spending close to \$15 billion a year.

Forecasts of these expenditures in 1960 point to a further increase. Although tangible results of some of this work cannot be expected for several years, research has shown that the development of new products goes hand in hand with relatively lower prices and above-average productivity records. This can provide the forward-looking businessman the double advantage of lowering his unit costs and gaining an advantage over competitors.

**Work-force mix:** One of the most significant trends affecting productivity has been the increasing number of nonproduction workers required by expanded staffs of research and development people and the expansion or introduction of overhead functions requiring additional clerks, salesmen and semi-professionals. According to the Bureau of Labor Statistics, this trend has tended to dampen the over-all rate of productivity growth in manufacturing.

Because engineers, scientists, and other technical and professional people must be permanently employed if their services are to be profitable, they appear to aggravate swings in the rate of productivity in the course of the business cycle. In recessions, they speed the decline



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of productivity. In good times they are likely to increase its growth.

The challenge to management is to reap the rewards of research and the new overhead functions without building top-heavy organizations.

**Market developments:** One of the keys to stabilizing productivity at a healthy rate of increase may lie in newly developed techniques for predicting business as well as consumer behavior. Although a comparatively new development, surveying consumer and business expectations promises to become a potent tool for management planning. This can help to control disastrous swings in inventories and permit better planning of production and investment schedules. Use of computers in this task and a broadening of the scope of the behavioral sciences can give business valuable new techniques.

**Human element:** One of the most important factors in accounting for superior productivity is the human factor. As BLS puts it: "Obviously, investment and technological advance could have little influence on output per man-hour without a competent and ingenious management to organize and administer the production process, and without a skilled, intelligent, and alert labor force to execute it."

Visiting teams of productivity experts from other countries have reported that it is the human factor which most distinguishes American industry and probably explains its great efficiency. They point to the skill of management, the opportunity for personal advancement, the positive attitudes of workers, the high level of safety measures, and other factors leading to superior performance.

Advances in training methods, psychological testing and therapy, and new techniques in industrial relations may improve the human factor even more.

**Prices and production:** Research has shown a direct link between prices and productivity. Pricing policies may be an important determinant in the long-run rate of productivity growth. Studies of pricing policies and practices show that firms and industries which set their prices at levels designed to obtain maximum growth in long-term markets rather than for short-term gains excel in the productivity race.

—HAROLD WOLOZIN



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# TORIES *MARCH* AGAIN

---

THIS MONTH brings a timely reminder that facing an uncertain future is not a new experience. One hundred and eighty-three years ago the Continental Congress adopted the Declaration of Independence.

Conditions then were far grimmer than those we face today.

The enemy was stronger in every resource. Aggression was already a fact. British muskets killed people just as dead as atom bombs. Unlike impersonal ballistic missiles, the Redcoats' Indian allies were intentionally cruel.

In the face of such odds, complete rebellion was a desperate choice, reached only after extreme and repeated provocations.

As itemized in the Declaration these provocations make a considerable list. In essence, the indictment was that King George III insisted that the central government had the right to control the destiny of its subjects. The belief that this was bad was not unanimous. The Tory minority agreed with the King and "Tory" has been a hateful word in this country ever since.

Fortunately, the Tories were a minority. Those with more liberal views prevailed. The confusions of central bureaucracy overbalanced the preponderance of resources and the colonies became a federation of free and independent states determined "to secure the blessings of liberty to ourselves and our posterity."

It is ironic today to find those mistakenly called liberals supporting the beliefs for which the Tories were abused and vilified. The argument now is that only an all-powerful central government can cope with today's troubles, domestic and foreign.

King George found his strong central government inadequate when faced by free men improvising their way through a war.

Today's problems differ only superficially from those of King George's day.

"Taxation without representation" is no longer a rallying cry—though taxing one state to build schools in another may be a practical facsimile.

The King's insistence that colonial raw materials go to England for manufacture is close kin to modern proposals for aid to depressed areas, urban renewal and federal housing.

The complaint that the King "has erected a multitude of new offices and sent hither swarms of officers" will have a familiar ring to those who have encountered the Davis-Bacon or Walsh-Healey laws or any of the federal regulative agencies.

The Tory beliefs now masquerade as liberal, forward-looking and essential to the public good. Politicians promise to put them into practice. Where they already have a foothold, office-holders seek to expand them. The Conference of Mayors adopts resolutions urging the federal government to take more active part in municipal affairs.

It may be that King George was right.

It may also be that the Tories are now a majority in this country.

But those who write the platforms for the coming political conventions, those who will stand as candidates and those who prepare their speeches can usefully read the Declaration of Independence.

It will teach them, at least, which side they are on.



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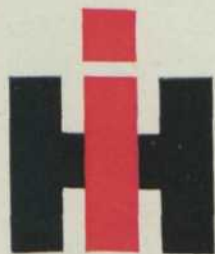
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## Giving strawberries their place in the sun

Strawberries grow rich and ripe in the sunshine, but they do need special care. Berries that touch the earth can develop ground rot, and the sun itself bakes moisture from the soil. Today, many farmers solve these problems with something you can try in your own garden—black polyethylene film from Union Carbide. Easily rolled out in long strips, this mulch protects the berries from ground rot, helps keep the earth warm and moist, and smothers troublesome weeds in darkness. Tomatoes, melons, peppers and many other fruit and vegetable plants—set in the ground through the film—grow with spectacular results . . . yielding a richer and earlier harvest.

Acres of plastic film are being used on the farm in many other ways. Sheets of vinyl, another Union Carbide plastic, serve as a lining in ponds and irrigation ditches to prevent seepage. Silos of polyethylene film can be set up right in the field as a convenient way to preserve animal feed. And, anyone can use transparent polyethylene, stretched over a wood frame, to make a low-cost, do-it-yourself greenhouse.

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